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# FINANCIAL TIMES


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*Democracy in trouble*
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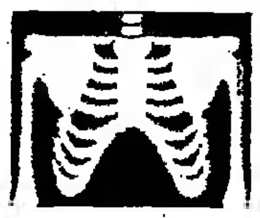

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**Today's surveys**
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Separate Sections


World Business Newspaper TUESDAY NOVEMBER 7 1995 D8523A


## British government defeated in vote on MPs' earnings

British prime minister John Major's Conservative government suffered an embarrassing defeat when the House of Commons voted to force members of parliament to disclose consultancy earnings. MPs voted 322 to 271 in favour of an opposition motion requiring full disclosure. The government had argued that MPs should not have to reveal earnings. Page 8

## Daiwa bank shares jump as Sumitomo merger looms

Daiwa Bank shares jumped by 15.6 per cent to Y739 in Tokyo on news of a likely merger with Sumitomo Bank after the presidents of the two groups referred to a possible deal which could create one of the largest banks in the world. Japan's finance minister Masayoshi Takemura said a merger between the two banks was necessary to avert turmoil on the financial markets after US financial regulators ordered Daiwa to cease American operations last week. Takemura urged to quit, Page 4; Shotgun wedding to save bank's reputation, Page 17

**Hoechst,** the German chemicals company, reported an "extremely disappointing" third quarter, due to a marked slowdown in Europe although pre-tax profits rose 115 per cent to DM1.3bn ($922m) and the group is on target for its highest annual profits since 1989. Page 17

**Deutsche Telekom** said the German postal workers' union had agreed to 60,000 job cuts by the end of the decade in exchange for a management promise of no permanent lay-offs before the end of 1997, extending a previous commitment applying until the end of 1996.

**Former S Korean president faces arrest:**

South Korean information minister Oh In-whan said former president Roh Tae-woo (left) will probably be arrested for bribery once prosecutors complete their investigation into his $650m illegal slush fund. The investigation is concentrating on construction companies which allegedly bribed the former president in return for gaining state contracts during his 1988-93 term. Page 16; Editorial Comment, Page 15

**British Airways** announced first half pre-tax profits up 23.2 per cent and said it had received approaches from several US airlines to form partnerships if it sold its stake in USAir. Page 23; Lex, Page 16

**EU plans family leave law:** Workers in European Union countries will be entitled to 12 weeks' unpaid parental leave after the birth or adoption of a child, and to have time off work "for urgent family reasons" under a proposed law agreed by unions and employers. Page 16

**International Paper,** the world's largest paper company, has agreed a $3.5bn takeover of Federal Paper Board, a New Jersey-based group with 23 facilities across the US and two in Britain. Page 17

**Shevardnadze set for Georgia win:** Former Soviet foreign minister Eduard Shevardnadze appears to have won the Georgian presidency. Preliminary results show he received more than 70 per cent of the vote. Page 3

**Compaq Computer,** the world's largest personal computer manufacturer, plans to acquire NetWorth, a US manufacturer of computer networking equipment, for $372m. Page 18

**Sweden sets out growth agenda:** Sweden's Social Democratic government announced an "agenda for growth" intended to lower unemployment and build on recent budget deficit cuts. Page 16

**Tokyo seeks to cut red tape:** Japan is preparing to reduce red tape for business travellers and imports of manufactured goods, in deregulation proposals to be presented at next week's summit of 18 Pacific rim leaders. Page 7

**Italian inflation steady:** Consumer prices in Italy rose 0.5 per cent last month, giving an annualised inflation rate of 5.8 per cent, the third consecutive month the rate has remained steady. Page 2

**Bouchard keeps Quebec waiting:** Quebec separatists and the rest of Canada are waiting for Lucien Bouchard to decide whether to take over as premier of the French-speaking province following the resignation of Jacques Parizeau. Page 5

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| Dow Jones Ind Av | 4,824.85 | (-0.72) |
| NASDAQ Composite | 1,066.24 | (+0.58) |
| **Europe and Far East** | | |
| CAC40 | 1,822.64 | (-9.46) |
| DAX | 2,165.79 | (-15.93) |
| FT-SE 100 | 3,514.8 | (+14.4) |
| Nikkei | 18,036.97 | (+8.17) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5¾% |
| 3-mth Treas Bills: Yld | 5.5% |
| Long Bond | 107⅞ |
| Yield | 6.29% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6¾% | (6 13/16%) |
| UK: 10 yr Gilt | 104½ | (104½) |
| France: 10 yr OAT | 103.42 | (103.54) |
| Germany: 10 yr Bund | 100.76 | (100.42) |
| Japan: 10 yr JGB | 113.17 | (111.28) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Dec) | $16.48 | (16.63) |

**GOLD**

| | | |
|---|---|---|
| **New York Comex** | | |
| (Dec) | $383.7 | (same) |
| **London:** | | |
| close | $382.5 | (382.6) |

**DOLLAR**

| | | |
|---|---|---|
| **New York lunchtime:** | | |
| £ | 1.5775 | |
| DM | 1.4145 | |
| FFr | 4.8995 | |
| SFr | 1.139 | |
| Y | 103.35 | |
| **London:** | | |
| £ | 1.58 | (1.5799) |
| DM | 1.4134 | (1.4155) |
| FFr | 4.8973 | (4.8935) |
| SFr | 1.138 | (Same) |
| Y | 102.875 | (103.665) |

**STERLING**

| | | |
|---|---|---|
| DM | 2.2332 | (2.2384) |
| Tokyo close: | Y 103.505 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch35 | Greece | Dr400 | Malta | Lm0.60 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Morocco | MDh15 | S.Arabia | SR11 |
| Belgium | BFr70 | Hungary | Ft215 | Neth | Fl 4.25 | Singapore | S$4.30 |
| Bulgaria | Lev110.00 | Iceland | IKr220 | Nigeria | Naira80 | Slovak Rp | Sk60 |
| Cyprus | C£1.10 | India | Rs75 | Norway | NKr18.00 | S. Africa | R12.00 |
| Czech Rp | Kc55 | Israel | Shk7.90 | Oman | OR1.50 | Spain | Pta250 |
| Denmark | DKr17 | Italy | L3000 | Pakistan | Rs40 | Sweden | SKr17 |
| Egypt | E£5.00 | Japan | Y600 | Philippines | Pso50 | Switz | SFr3.60 |
| Estonia | EKr 20 | Jordan | JD1.50 | Poland | Zl 4.20 | Syria | S£50.00 |
| Finland | FM15 | Kuwait | Fils625 | Portugal (mainland) | Es250 | Tunisia | Din1.500 |
| France | FFr11.00 | Lebanon | US$1.50 | | | Turkey | L50,000 |
| Germany | DM3.80 | Lux | LFr70 | | | UAE | Dh12.00 |

People of Israel urged to continue murdered leader's search for Middle East peace

# World leaders pay tribute to Rabin

By Julian Ozanne in Jerusalem

World leaders yesterday paid their last respects to the assassinated Israeli prime minister, Yitzhak Rabin, and urged the people of Israel to carry on the search for a lasting peace in the Middle East.

"Let us not keep silent, let our voices rise high to speak of our commitment to peace, for all times to come," King Hussein of Jordan told the 4,000 mourners gathered at a hilltop cemetery overlooking Jerusalem.

Referring to Mr Rabin as a friend and a brother, he said the Israeli leader had had the courage and vision to commit his country on the course of peace with its Arab neighbours.

US president Bill Clinton and President Hosni Mubarak of Egypt said the greatest memorial for Mr Rabin would be to continue his drive to end half a century of Arab-Israeli fighting.

Sirens that each year commemorate the Nazi Holocaust marked the start of the two-hour-long funeral which brought together presidents, monarchs and representatives from some 50 countries, including an unprecedented six Arab states.

Mr Clinton said it now fell "to all of us who love peace and all of us who love [Mr Rabin] to carry on the struggle to which he gave his life.

"His spirit lives on in the growing peace between Israel and its neighbours... So let me say to you the people of Israel, even in your hour of darkness, his spirit lives on so you must not lose your spirit." Mr Shimon Peres, Israel's acting prime minister, seeking to bolster the shaken Israeli government and restore confidence abroad and at home, pledged to deepen the search for peace with Arab neighbours.

In his tribute to his former colleague Mr Peres said Mr Rabin had broken new paths creating a flourishing economy at home and paving the way to peace in the Middle East.

"I see our Arab neighbours, and I would like to say to them that peace is irreversible," Mr Peres said, promising that Mr Rabin's work would be rewarded.

"There is no turning back, not for us, and not for you. Neither I, nor you, are allowed to stop, nor postpone, nor hesitate on the road to a full and comprehensive peace."

Aides to French president Jacques Chirac, who attended the funeral, said Mr Peres had also pledged in a meeting with Mr Chirac that Israel's troop redeployment out of Palestinian population centres in the West Bank would be completed on schedule by the end of the year and that Palestinian elections would go ahead as scheduled on January 20.

Among other world leaders gathered at the funeral were German chancellor Helmut Kohl and Mr John Major, Mr Victor Chernomyrdin and Mr Felipe González, prime ministers of Britain, Russia, and Spain, where peace talks opened in 1991. Mr Peres

Last respects: world leaders from some 50 countries, including an unprecedented six Arab states, attend the funeral of Yitzhak Rabin in Jerusalem Associated Press


Continued on Page 16
World leaders mourn; Reviled extremists hail death of an 'evil man'; Page 6
Observer, Page 15


# Daimler warns it may abandon lossmaking Fokker

## Threat aims to secure rescue help from Dutch for aircraft maker

By Wolfgang Münchau and Peter Norman in Stuttgart and Ronald van de Krol in Amsterdam

Daimler-Benz, Germany's largest company, has acknowledged for the first time that it may abandon Fokker, the lossmaking Dutch aircraft maker, if the Dutch government refuses to contribute to a rescue package.

In an interview, Mr Jürgen Schrempp, Daimler chairman, said he still regarded Fokker as a core part of the commercial aircraft business of Daimler-Benz Aerospace (Dasa) but warned if negotiations with the Dutch government did not succeed, "then Fokker has no future".

His comments amount to a tactical move to increase pressure on the Dutch government, which has shown reluctance to co-finance a rescue package to secure Fokker's medium-term future. The company is being kept afloat by a short-term bridging loan from Dasa.

Dasa and Fokker, hit by the weakness of the dollar and the collapse in defence and commercial aircraft sales, are both considering wide-ranging restructuring programmes.

Dasa recently announced preliminary plans to lose close to 9,000 of its German staff as part of a DM1bn ($707m) cost-cutting drive over three years. Fokker is due to announce restructuring plans shortly.

Mr Schrempp said: "We have come forward with a business plan where we think it would be worthwhile to save Fokker. However, the Dutch government, within the framework of the bilateral agreement with the US and within the framework of international trading rules will have to come in and chip in, and we will do as well. If that happens, Fokker has a future."

The Dutch economic affairs ministry said yesterday talks between the Dutch government, Dasa and Fokker would begin "reasonably soon". Most commentators expect the talks to start this week.

The Dutch government is widely expected to contribute to a Fokker rescue plan, but will want to ensure that Dasa puts up the lion's share of the funds.

Fokker, squeezed by its location in a hard-currency country and its need to sell aircraft in dollars, suffered a record loss of Fl 651m ($410m) in the first half of 1995.

It is carrying out a programme to cut another 1,760 jobs by mid-1996, reducing its workforce to 6,700 people. In 1990, it employed 13,300.

Dutch press speculation about the amount the government might be prepared to contribute has settled between Fl 600m and Fl 950m. Fokker is estimated to need more than Fl 2bn to survive.

Mr Schrempp defended the industrial rationale behind the 1993 acquisition of a majority holding in Fokker, because of the pivotal role the Dutch aircraft maker assumes in Dasa's designs for a 100-seat Airbus.

Daimler-Benz is reviewing its 35 business units to assess their strategic fit and determine whether they will achieve a minimum 12 per cent return on equity.

MTU, Dasa's aero-engine unit, is among the business units whose future is uncertain. Mr Schrempp said Dasa was in talks with BMW and Rolls-Royce over co-operation plans, but added that if the talks failed MTU would abandon its core business and become a component supplier.

He said: "We know precisely how to get MTU of Munich into a very profitable situation. We make (it) a high-tech component supplier to our three friends – Rolls-Royce, GE, and Pratt and Whitney... When you see the fight between Pratt and Whitney, GE and Rolls-Royce, I mean this is crazy.

"At the moment some engines are being sold with 100 per cent discount based on the hope that parts revenues in 15 to 17 years will make profits."


Planes, trains and automobiles, Page 15
Lex, Page 16


# First Interstate gets $10bn friendly bid from US bank

By Richard Waters in New York

First Interstate, the Los Angeles-based bank struggling to fend off a hostile takeover bid, said yesterday it had found a white knight willing to pay $10bn in stock in an agreed acquisition.

The friendly offer, made by First Bank System, a bank based in Minneapolis, was approved by both banks' boards on Sunday. The agreement comes less than three weeks after First Interstate received a hostile offer from Wells Fargo, a long-time suitor.

Yesterday's agreement is unlikely to be the final move in the fight for control of southern California's biggest bank. First Bank's shares slid yesterday morning, pushing its agreed offer below the $10.2bn at which Wells Fargo's bid is valued.

Although only two-thirds the size of First Interstate, First Bank's shareholders would be left with 40 per cent of the shares in the enlarged bank and half the board seats.

For First Interstate, though, the deal would preserve many of the jobs in Los Angeles that would be lost in a takeover by Wells Fargo. First Bank plans to retain its Midwest headquarters, but it said it would shift the management of its main business operations, including retail and corporate banking, to southern California.

The deal would assure First Interstate executives a position in the merged bank, which would take the First Interstate name. This seems likely to provoke accusations and lawsuits from shareholders who would claim that directors acted in part to save their own jobs.

Mr William Siart, First Interstate's chief executive, would get the number two position of president and chief operating officer after a takeover by First Bank. The top job would go to Mr John Grundhofer, a former Wells Fargo vice-chairman who was recruited five years ago to run First Bank.

US takeover lawyers said that, by soliciting a bid from First Bank, First Interstate may in effect have put itself up for sale. If so, its board would be obliged to accept the highest offer. First Interstate insisted that the First Bank deal was a better one for its shareholders, even if Wells Fargo were to sweeten its offer, as it has hinted it may.

First Bank has assets of $37bn and a network that extends between the Midwest and the Rocky Mountains. It has little overlap with First Interstate, a bank with $55bn in assets which has expanded from its Californian base across most of the US's western states.

Should the struggle erupt into a bidding war, Wells Fargo is widely seen as in better position to raise its offer. The San Francisco-based bank has said it could cut $700m from First Interstate's annual costs after a merger, compared with the $500m of cost savings projected by First Bank.

First Bank's offer follows a search for a white knight which is thought to have included talks with NorWest, a bank whose geographical reach closely matches that of First Bank, and Ohio-based BancOne.


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Lex, Page 16


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# Turkey frees 34 prisoners ahead of EU vote

Turkish courts have freed 34 prisoners after amendments to the country's anti-terrorist laws, the country's Foreign Ministry said yesterday, reports our Foreign Staff.

The Turkish parliament last month voted to amend Article 8 of the constitution, the anti-terrorist law under which many Kurdish separatists and their supporters are held.

The releases come in the run-up to a European Parliament vote, expected next month, on whether to approve a customs union between Turkey and the European Union. Turkey's human rights record has come under attack from MEPs, some of whom have dismissed changes to the anti-terrorist laws as "cosmetic".

They argue that the changes, which provided for shorter prison terms but did not stop people being jailed for speeches or writings, might not be enough to persuade them to back the customs union.

EU member states back early approval of the customs union and the European Commission has warned the parliament that failure to approve the union could generate an anti-western backlash in Turkey.

This warning was taken up last week by Mrs Tansu Çiller, Turkey's prime minister, who said rejection, or even delay, would unleash the forces of Islamic fundamentalism both in Turkey and throughout the surrounding region. Rejection would "give the upper hand to the fundamentalists because the Moslem world looks up to Turkey as a model".

"During the last week 34 people who had been condemned under the article have been released by the competent courts due to the exigences of the amendments," a foreign ministry spokesman said yesterday. "The release of those people is a concrete answer to criticism from certain circles that the amendments are only of a cosmetic nature." But a lawyer who defended eight pro-Kurdish MPs jailed last year for links with rebel Kurds, largely on the basis of speeches and writings, said: "These releases do not mean that freedom of thought will be realised in Turkey. This is a gesture to Europe for customs union."

Foreign ministry officials said some of the 34 were released for time served after the amendments redneed prison terms to a maximum three years from five, and some were acquitted because the courts decided they had not intended to commit the crime – the amendments to the law provide that the prosecution must prove intent.

The Foreign Ministry gave the names, but no further details of the released prisoners. The changes to the law against separatist propaganda may allow many of the 100 or so writers, lawyers, trade unionists, journalists and others in prison to be released after their files are reviewed by the courts.



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# East Slavonia peace plan rejected

By Laura Silber in Belgrade

Hopes of avoiding war over eastern Slavonia – the last Serb-held region of Croatia – receded yesterday after local Serbs rejected a proposal for transitional rule. And a separate shadow was cast over the Balkan peace talks in Dayton, Ohio by naws that seven French peacekeepers were wounded in a grenade attack on their UN base in the divided town of Mostar, in south-western Bosnia-Hercegovina.

Diplomats in Zagreb were trading guesses as to when Croatia would launch an offensive against eastern Slavonia, where thick snow has fallen. A western diplomat in Zagreb said Croatia had the capacity to launch an attack soon, although there had not as yet been a significant build-up of troops in the region.

"There are already two Croatian army divisions there and it would take just five hours for another two divisions to get there from Zagreb," be said. He believed the Croats would move to seize eastern Slavonia as soon as next week before tha UN peacekeeping mandete expires at the end of this month.

After seven hours of negotiation on Sunday, much of it in a heated atmosphere, Mr Peter Galbraith, US ambassador, and Mr Thorvald Stoltenberg, UN envoy, left the Serb-held town of Erdut empty-handed, having failed to persuade the Serbs to sign their latest proposal. Later Mr Milan Milanovic, chief Serb negotiator, put forward a counter-proposal. It called for a three-year transitional period, during which the region would be under UN administration, followed by a referendum.

Zagreb bas already rejected tbese terms as "unacceptable". President Franjo Tudjman of Croatia said on Saturday he would not renew the UN mandate in Croatia, warning that a settlement must be agreed by that time in order to avoid conflict.

Serb fighters, backed by the Yugoslav army, seized control over eastern Slavonia to 1991 after Croatia declared independence from Yugoslavia. Tens of thousands of Croat refugees have since not been allowed to return to their homes. Those houses which were not destroyed in the war have been occupied by Serb refugees from elsewhere in Croatia and Bosnia.

Up to 200,000 Serbs now live in the region. If Croatia launches an offensive, they are likely to flee to neighbouring Serbia.

Some diplomats believe a forcible resolution of the problem of eastern Slavonia could paradoxically improve the prospects for an overall settlement for former Yugoslavia at the Dayton meeting. However Mr Christopher Gunness, UN spokesman, said a forcible seizure of eastern Slavonia could create a new refugee crisis and destabilise the situation.

# Polish election run-off set to revive feuds

By Christopher Bobinski in Warsaw

Old feuds in Poland threaten to revive with a vengeance as an inconclusive vote in the presidential election on Sunday left Mr Lech Walesa, the incumbent and former Solidarity leader, facing Mr Alexander Kwasniewski, the leader of the ex-communist Left Democratic Alliance (SLD), in a final round of voting on November 19.

With results published yesterday in 40 out of the country's 49 provinces, Mr Kwasniewski was leading Mr Walesa by 36.5 per cent to 32.2 per cent, well below the 50 per cent needed for victory in the first round. Even as the preliminary results came in Mr Kwasniewski moved onto the offensive, challenging Mr Walesa to a live televised debate next weekend.

"Poland is ready for a serious discussion about its future," he said yesterday after Mr Walesa had stated that he was not "afraid of debating" but stopped short of formally agreeing before his staff had negotiated the details of the encounter.

The former Solidarity leader said debates with Mr Kwasniewski "would demonstrate to the nation the nonsense of his philosophy". He said the discussions would ultimately be futile. "These people cannot be reformed, they were too long under the old system, so it is pointless to talk with them," Mr Walesa said.

Mr Kwasniewski rejects the "communist" label and portrays himself as a western-style social democrat. "After five years as president, Walesa is no longer just a representative of the Solidarity camp. Nor am I representative of the old order," Mr Kwasniewski told a news conference yesterday.

Asked whether Mr Walesa would not be better able to lead Poland into the European Union and Nato, Mr Kwasniewski suggested that a defeated Mr Walesa could serve as a special negotiator on Nato entry.

"Somatimes ex-presidents are more useful than presidents," he said.

The televised debate is seen as crucial by the SLD which hopes that Mr Kwasniewski's articulate style and youthful appearance will outweigh Mr Walesa's undoubted charisma.

The government is already controlled by the SLD to coalition with the left-wing Peasant party (PSL) and the two movements enjoy a majority in parliament.

Mr Kwasniewski is seeking the support in the second round of those who voted for Mr Tadeusz Zielinski, the civil rights ombudsman whose centre-left programme won him 3 per cent in the first ballot.

In addition, the SLD candidate will be looking to augment his unexpectedly strong showing in the countryside with an endorsement from the PSL.

These efforts come in the wake of a poor showing in the election by the PSL'e candidate, Mr Waldemar Pawlak, a former prime minister, who could lose the leadership of the party as a result.

Mr Kwasniewski, who was a communist minister of sport before 1989, said that if he became president, he and his party colleagues in government could get on with essential, overdue reforms of the social security system, health service and local government and pass a new constitution.

Mr Walesa, meanwhile, cen be expected to win the support of many of the 10 per cent or so who voted for Mr Jacek Kuron, a former dissident and labour minister whose party, the Freedom Union (UW), met yesterday to decide whether or not to back the former Solidarity leader in the second round. Mr Walesa yesterday won the backing of senior Freedom Union members such as Mrs Hanna Suchoka and Mr Tadeusz Mazowiecki, both former prime ministers.

He will also be hoping to pick up the 3 per cent of voters who backed Ms Hanna Gronkiewicz-Waltz, the head of the central bank who was promoted to her position by Mr Walesa.

Yesterday Ms Gronkiewicz-Waltz, who campaigned on a Christian Democrat platform, gave no indication that she was considering resigning her bank post after her defeat.

First round leader Alexander Kwasniewski rejects the 'communist' label attached to him by his opponents Reuter

# Russian shares auction to proceed

By John Thornhill in Moscow

Large shareholdings in 23 of Russia's most prized industrial companies will be anctioned before the year-end despite unfavourable market conditions and mounting political opposition in the run-up to next month's parliamentary elections.

Over the next few weeks, the government will auction shares in some of Russia's biggest oil companies, including 5 per cent of the giant Lukoil concern, at a starting price of \$35m, and 51 per cent of Sidanco, which controls massive reserves in the far east, for \$125m.

But the Byzantine nature of the deals, which involve investors lending the government money in return for holding shares in trust and selling them at a future date, have raised concerns about potential conflicts of interest between politicians and bankers in the run-up to the elections.

Critics argue that the auctions could become one vast "insiders' game" given that the rules governing the auctions restrict competition and prevent foreign investors from participating. Last week's sale of 40 per cent of Surgutneftegaz, in which the only two companies able to bid were both associated with tha oil concern's managere, has heightened concerns about the fairness and transparency of the process.

Both the Communist party and the nationalist Congress of Russian Communities movement, which are currently riding high in the polls, have condemned the privatisations and vowed to reverse "fraudulent" sales.

Even eome comparatively moderate politicians, such as Mr Boris Fyodorov, the former finance minister who heads the reformist Forward Russia! movement, have urged Mr Victor Chernomyrdin, the prime minister, to call off further privatisations this year. They argue that someone is likely to "wind up behind bars" if the sell-offs go ahead.

"On the eve of elections the outgoing government is trying to sell quickly and cheaply state property that is worth billions of dollars. This must be stopped immediately," Mr Fyodorov said last week. "I think it is in the interests of the state to stop making a fool of itself and cancel the operation. So Victor Stepanovich [Mr Chernomyrdin], please etop this shameful thing."

Supporters of the share transfers argue the auctions will maintain the momentum of the sell-offs, further reduce government interference in the economy, bring powerful outside forces to bear on industrial managers and raise revenue for this year's budget.

But even some of the architects of the first stage of Russia's privatisation programme are concerned about the opacity of the process and the potential for corrupt practices.

## October's 0.5% rise makes annual target look optimistic

# Italian inflation remains steady

By Robert Graham in Rome

Italy's consumer prices rose 0.5 per cent in October, giving an annualised inflation rate of 5.8 per cent, according to Istat, the national statistics institute.

This is the third consecutive month the rate has remained steady, although it is almost donble the European Union average. The figures were similar to preliminary estimates released 10 days ago for Italy's main cities and were in line with expectations in the financial markets.

The performance of prices in October suggests that inflation at the end of the year will be running at an annualised 5.3-5.4 per cent, slightly above original projections for 1995. It also makes the government's 1996 target of 3.5 per cent look optimistic.

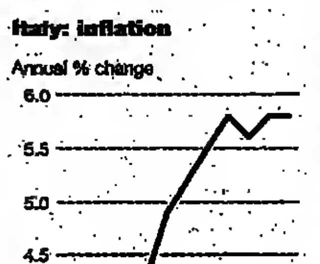
However, government economists point ont that almost one percentage point of inflation this year has been caused by VAT and petrol price increases introduced in the February mini-budget.

The main monthly variations recorded by Istat came to the clothing and rents sector. The latter grew by 2 per cent, reflecting autumn increases; clothing was up 1.4 per cent as a result of increased costs. By contrast, rises were well below the average in areas such as health, fuel and domestic services.

Rome continued to be the city with the highest annualised rate of inflation, with a figure of 7.1 per cent.

This was largely caused by an increase in transport prices, to remedy long-standing uneconomically low fares, earlier in the year.

The effect of sucb sharp increases is well illustrated by the case of Milan which had the highest monthly inflation rate in October of 0.9 per cent because of big public transport fare rises.




Despite the refusal of inflation to budge from an annualised 5.8 per cent since August, the Bank of Italy last week stated emphatically in its quarterly bulletin that "a drop in inflation ie now in progress".

The bank pointed out that the underlying inflation rate bad been slowing since the summer. The bank attributed the slowdown to several factors: a decline in dollar-denominated international raw material prices; a partial recovery of the lira; a slight cooling of the Italian economy; continued wage restraint; and the maintenance of a tight money policy by the bank.

It warned that a significant reduction in inflation over the next year would only be possible if wage demands remained moderate and the lira were able to strengthen.

In diplomatic language the report implied that a stronger lira depended on the financial markets being convinced of the commitment in the 1996 budget to improve Italy's public finances.

On this score the bank has taken issue with the government, suggesting next year's bndget revenne projections could be L10,000bn (\$6.2bn) short.

OBITUARY: ERNEST GELLNER

# Scholar of ideas and nationalism

Ernest Gellner, who died in Prague on Sunday aged 69, was a scholar in the classic mould, whose intellect and influence could not be confined within national boundaries or within the bounds of any one academic discipline.

Born in Paris of Czech Jewish parents, ha spent most of his life in British universities. He moved between philosophy, sociology and anthropology, and though he never claimed to be a historian he was an outstanding historian of ideas, and developed what came close to being a general theory of history.

Gellner first gained national fame in 1959 with his book *Words and Things*, a swingeing attack on Oxford linguistic philosophy, to which Bertrand Russell wrote the introduction. He was then teaching sociology at the London School of Economics, and doing anthropological fieldwork in Morocco which was to produce the book *Saints of the Atlas* (1969). In 1962 he became professor of philosophy at LSE, but in 1984 moved to the chair of anthropology at Cambridge. He retired in 1992, by which time he was involved in setting up tha Centre for the Study of Nationalism at the new Central European University in Prague, where be was director of research until his death.

*Nations and Nationalism*, published in 1983, was one of his most influential books. Along with Eric Hobsbawm and Benedict Anderson he may be said to have prepared the intellectual ground for the resurgence of nationalism, or at any rate of interest in it, which accompanied and followed the end of the cold war. Gellner saw nationalism as part and parcel of modernity. Pre-industrial societies, he argued, were divided between "high culture", which was often cosmopolitan but the province of a narrow social stratum, and "low culture" which was essentially local.

But industrialisation brought the need for an educated workforce, while industrialising states needed to be able to mobilise the masses for tasks of war, production and administration. For such states neither religion nor the dynastic principle any longer provided legitimacy: they had to root themselves in the culture and language of the citizens whose loyalty they claimed. Conversely, intellectuals belonging to minority cultures or languages risked being marginalised unless they could claim national status for them.

Gellner arrived at this analysis by an unexpected route, the study of Islam. He was fascinated by the resilience of Islam at a time when all other religions seemed to be declining, and concluded that in its scriptural form (as opposed to traditional popular piety) it had special characteristics which enabled it to play for Moslem societies the role that nationalism played elsewhere. A determined rationalist, Gellner had no truck with the cultural relativism that became increasingly fashionable among anthropologists in the last few decades. He denounced this heresy to the book *Postmodernism, Reason and Religion*, a dazzling polemic published in 1992. Earlier, in *The Psychoanalytic Movement* (1985) he had mounted a similar attack on psychoanalysis. His literary output seemed to accelerate as he got older, and though crippled with osteoporosis since middle age he was still at the height of his intellectual powers when a heart attack abruptly ended his life.

**Edward Mortimer**

EUROPEAN NEWS DIGEST

# Germany curbs contraceptive

Germany's Federal Drug Institute said yesterday it would prohibit the use of oral contraceptives containing desogetrel or gestoden by women under 30 years of age who are taking the pill for the first time. Schering, the German drugs company which is a big supplier of oral contraceptive, immediately said it planned to appeal.

The ban echoes a warning issued by the UK regulatory authorities last month that oral contraceptives containing the compounds raised the risk of some kinds of blood clot. Schering shares fell yesterday, as did those of Akzo, the Dutch chemicals company whose subsidiary Organon also makes the affected oral contraceptives. *Daniel Green, London*

## French concern on shipyard aid

France is to press its European Union partners today to delay EU ratification and implementation of last year's international accord to end shipbuilding subsidies until the other main signatories to the pact – the US, Japan and South Korea – take similar action. France has long opposed phasing out shipbuilding subsidies, negotiated within the Organisation for Economic Co-operation and Development in 1993-94. It argues that the agreement would neither be respected by Asian shipbuilders nor ratified by the US Congress.

After receiving assurances from Brussels that some social assistance to French yards could continue, Paris agreed to EU signature of the aid accord last year. However, it has since become alarmed by the plan of the Spanish presidency to push through at today's session of EU industry ministers a regulation implementing part of the OECD pact which has yet to ratified.

Officials in Paris said Mr Yves Galland, the French industry minister, would be very "firm" that the EU should not move to restrict subsidies ahead of its main shipbuilding competitors. *David Buchan, Paris, and Caroline Southey, Brussels*

## Irish lobby over steel sale

Ireland will today try to persuade European Union industry ministers to approve the subsidising of the sale of Irish Steel. The European Commission has recommended the ministers to approve I£28.6m (\$47.7m) in debt write-offs, cash and loan guarantees linked to the sale of Irish Steel to Ipsat International, a private company owned by India's Mittal family. However, Britain, Luxembourg and Denmark have expressed objections and the ministers must approve the aid unanimously.

Mr Richard Bruton, the Irish enterprise and employment minister, yesterday lobbied the three countries ahead of the meeting. An Irish official said Mr Bruton would be willing to consider changing the plan. "The minister said he'd be willing to consider adjustments," he said.

Luxembourg is concerned because its steelmaker, Arbed, competes directly with Irish Steel in producing steel products known as medium sections, diplomats said. Britain, which traditionally takes a hard line on steel subsidies because British Steel operates without aid, has also received complaints from its industry about plans by Irish Steel to increase production in that sector. *Reuter, Brussels*

## IMF abandons check on Turkey

The International Monetary Fund has decided not to send a mission to Turkey to review the country's compliance with a \$910m standby accord signed last year as part of an emergency economic stabilisation programme. Officials said the mission had been cancelled because of the deteriorating economic situation and the approach of a general election on December 24.

Although Turkey has met performance targets during the first three quarters of 1995, it will probably not meet fourth quarter exchange rate and money supply targets because Mrs Tansu Çiller's coalition government is reflating the economy rapidly in the hope of winning re-election. Turkey has already drawn three-quarters of the standby loan, which terminates next February, but may not be able to borrow the remaining \$223m in the package. *John Barham, Istanbul*

## Far-right slips in Austria

Support for Austria's political far-right appears to be waning and Chancellor Franz Vranitzky's Social Democrats (SPOe) are gaining ground ahead of the general election on December 17, according to an opinion poll yesterday. Support for Mr Jörg Haider's nationalist Freedom party – which has the largest parliamentary representation of any far-right party in Europe – has declined to 22.5 per cent from 27 per cent in September. The party gained 23 per cent of the vote in last year's general election, its best performance yet.

The ISMA institute poll in Profil magazine suggested 33 per cent of voters would vote for the Social Democrats in next month's snap election, triggered by the collapse last month of the coalition between the SPOe and the conservative People's party (OeVP). This was an improvement on the SPOe's post-war low of about 30 per cent in September, which was itself four points below the party's worst-ever election results last year. The OeVP received 27 per cent of voter support in yesterday'e opinion poll, down one point on September but level with last year's election outcome. *Reuter, Vienna*

## Nazi shooting trial opens

A failed French writer who shot dead Nazi collaborator René Bousquet to gain public attention went on trial in Paris yesterday for murder. Christian Didier (left), 51, has admitted shooting René Bousquet in June 1993, just months before the 84-year-old former police chief for the wartime collaborationist Vichy régime was to go on trial for his role to deporting tens of thousands of Jews from France. Mr Didier has been in prison since the killing, awaiting trial on a charge of premeditated murder, carrying a possible 30-year prison sentence, after doctors declared him mentally sane despite a history of psychiatric trouble. In earlier publicity stunts, he had managed to sneak into the Elysée palace and also tried to kill the late former Gestapo chief Klaus Barbie in prison in Lyons. At the time of his death, Bousquet had been charged with crimes against humanity and was the highest-ranking Vichy official still alive. Some 75,000 Jews were deported under Bousquet's authority. He was said to have been directly responsible for a notorious two-day round-up in June 1942 of more than 12,000 Jews. *Reuter, Paris*

## Aid for new French airport

A FFr6.5bn (\$1.3bn) project to transform a former Nato airfield in north-east France into an airport dedicated to handling freight traffic by 1997 is to receive public aid totalling almost FFr1bn.

The aid will be invested in infrastructure and installations, with work beginning next October on extending the runway to 3,800m to take wide-bodied freighter aircraft plying inter-continental routes, and the construction of a control tower and taxiways. The project, at Vatry, about 140km north-east of Paris, could create up to 6,500 jobs in the area, industry sources say. *Reuter, Paris*

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**NEWS:** EUROPE

# Democracy indicted in the name of reform

**Chrystia Freeland** explains why some businessmen and politicians say elections must be postponed for the sake of Russian capitalism

After the collapse of the Soviet Union in 1991, most Russian and foreign observers tended to assume that democratic and market reforms were synonymous. Western economists coined the term "democratic markets" to describe the goal of the Russian reform effort and "market reformer" and "democrat" became interchangeable labels in the language of Russian politics.

But after nearly five years of painful transition from communism, the easy marriage of the ideas of democracy and capitalism is beginning to fall apart.

Disgruntled by economic reforms which have enriched a tiny élite but impoverished many ordinary Russians, voters appear to be preparing to use their new democratic powers to elect a parliament dominated by communists and nationalists. That has prompted a growing number of Russian businessmen and politicians to argue that, for the sake of capitalism, democracy should be put on hold.

Over a lavish meal at the weekend in the National Hotel, one of the swanky new establishments symbolising the rise of Russian capitalism, a group of prominent members of the Russian establishment launched a campaign to postpone the parliamentary elections, scheduled for December 17, by asking the Constitutional Court to strike down Russia's election law.

"If people tell me that for the sake of symbolic democracy I must give up my property – well democracy is not worth that much to me," said Mr Oleg Kisiliev, chairman of the board of Impeks-bank, an export company active in the gold trade. Mr Kisiliev said he and his colleagues feared a government dominated by communists and nationalists might confiscate the property of some of Russia's leading entrepreneurs and argued that the elections must somehow be blocked.

"I would very much like to live in a free country, but I very much fear that the path to freedom could kill us," said Mr Kakha Bendukidze, one of Russia's most successful corporate raiders and another leading figure in the campaign.

The mounting effort to postpone the elections contradicts the conventional view earlier this year that the parliamentary ballot did not matter very much. A Salomon Brothers research report published in August with the title "Russian Politics: Not That Scary Any More" captured the view that Russian politics had lost its sting.

Optimists argued that Russian communists did not threaten market reforms because, like their east European comrades, they had been transformed into social democrats. Moreover, according to the hopeful view, even if hard-line communists were to take over the parliament, the vast powers granted to the Russian president would allow him to over-rule a revanchist legislature.

**Disgruntled by changes that have enriched a tiny élite but impoverished many, voters appear to be preparing to elect communists and nationalists**

But as elections draw nearer, Russian businessmen are beginning to doubt this analysis. Indeed, the communists still represent enough of a threat in the eyes of Russia's new rich that Mr Bendukidze and his allies say in the event of a communist landslide they are preparing to leave the country with as much capital as they can take with them.

In the opinion of Russia's nascent capitalists, the danger posed by the communists is compounded by their doubts about Russian President Boris Yeltsin's own position. Although Mr Yeltsin has earned himself a place in history as the man who brought capitalism to Russia, he himself is a former communist boss and a savvy politician, giving rise to fears that he might return to the communist camp.

"We are fighting for the soul of the president," said Mr Bendukidze. He argued that after the elections, "the president might fight the parliament, but he might also change his mind and become a communist leader."

Those who advocate a postponement of democracy fear public protest, not from their own disgruntled countrymen, but from the west.

"We have become used to listening to the west. We listen to the [International Monetary Fund] as to a stern nanny," said Mr Kisiliev, who believes that if the west insists elections be held according to the current timetable, Russian élites might drop the campaign to postpone them.

But some western observers believe that western governments might be inclined to condone a suspension of democracy because, like Russia's homegrown capitalists, the west stands to suffer from a communist-nationalist takeover.

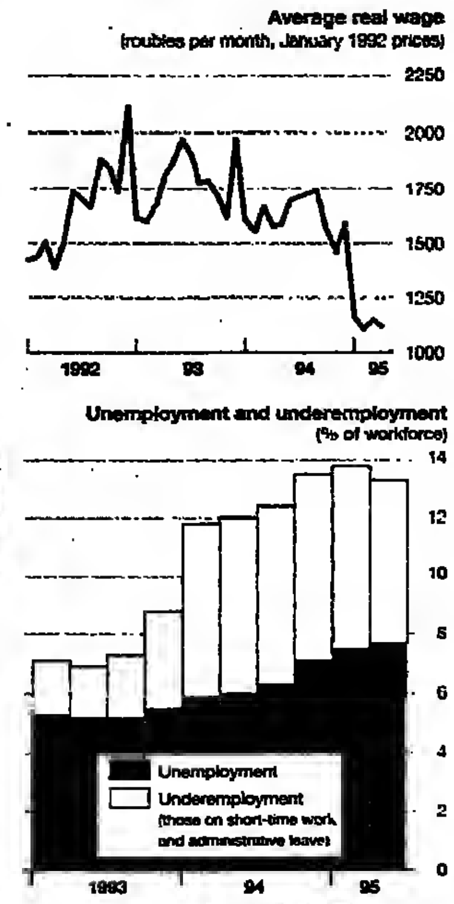
"In the short term, it is better for the Russian economy and in the interests of the west if elections are not held," said Mr Michael McFaul, a professor of political science at Stanford University In California and anthor of a recent handbook on the Russian parliamentary elections.

While Russia's new rich are probably right in their calculation thet western governments, rather than the politically disorganised Russian masses, could pose the greatest obstacle to a postponement of Russian elections, the real problem Is in Russia itself. Democracy and capitalism are becoming antithetical in Russia because the main accomplishment of market reforms has been to redistribute the country's wealth rather than to increase the country's productivity.

Until markets bring prosperity to the majority of Russian voters, democracy will continue to be a threat to the country's newly rich élite.

**Legacy of a painful transition**

Elderly communist supporters walk on Moscow's Red Square




Source: Goskomstat, OECD report

# Shevardnadze ahead in Georgian presidential election

By John Lloyd, recently in Tbilisi, and Agencies

Mr Eduard Shevardnadze last night appeared to have won a convincing victory in Sunday's Georgian presidential elections after preliminary results showed he had received more than 70 per cent of the votes. It is a sweeping victory for the former Soviet foreign minister who has led the country since a coup in 1992.

The Central Election Commission said results from 69 of Georgia's 75 electoral districts showed Mr Dzhumber Patiashvili, the former communist boss, had won 17 per cent and that Mr Shevardnadze's party, the Citizens' Union, had come out ahead in the simultaneous parliamentary elections. The turnout was 64.24 per cent.

International observers said yesterday that there were only "insignificant breaches" to the election law during polling. However Mr Patiashvili has complained that his being linked in a TV broadcast to the assassination attempt on the eve of the poll was a "flagrant" violation of the law.

The campaign run by Mr Shevardnadze's party was incomparably better financed and organised than those of any of his five opponents and stressed themes of continued economic reform, the reunification of a divided country and a continued crackdown on the armed gangs which had threatened the existence of the Georgian state.

Mr Shevardnadze now faces a further colossal task in trying to deliver on some of these promises – though one made easier by a popular mandate, and by his success over the past year in largely re-establishing a state monopoly of force.

Economic reform based on privatisation of enterprises has already started, and is dne to be extended to land. However, the very small tax take and the massive unemployment in the country have meant civil servant incomes of around $5 a month, while energy supplies remain sporadic and the country remains dependent on humanitarian aid.

Talks with the leaders of Abkhazia, the larger of the two breakaway areas in Georgia, bave been deadlocked – though Russia has promised to help return the area to Georgia in return for the granting earlier this year of three military bases on Georgian territory.

The main cause of internal chaos, the presence and strength of private armies who acted both as law enforcement agencies and as bandits at different times, has now been snppressed if not wholly resolved.

Mr Jaba Iosseliani, the leader of the most powerful of these groups, the Mekhedrioni, is still at large and was a candidate for parliament in the simnltaneous parliamentary campaign. He was yesterday openly accused by the state prosecutor of having a hand in the attempted assassination of Mr Shevardnadze in August.

# EBRD to lend Kamaz $100m

By Kevin Done

The European Bank for Reconstruction and Development is to lend $100m (£63m) to Kamaz, the huge Russian truck-maker.

The loan is the biggest the bank has made for a corporate restructuring in Russia.

Kamaz, formerly one of the world's biggest truck-makers, was hit by a disastrous fire in April 1993 which destroyed its engine plant and placed a severe strain on the group's finances.

At its peak Kamaz produced more than 125,000 trucks and 175,000 diesel engines a year, said the bank.

In the wake of the fire the company has suffered severe liquidity shortages, which have undermined its ability to pay suppliers, as cash has been diverted to finance rebuilding of the engine plant.

The new funds will be used to increase significantly the output of heavy trucks.

Kamaz, which is working closely with Kohlberg Kravis Roberts, the US investment firm, and Cummins, the US diesel engine producer, is aiming to produce around 25,000 trucks this year, but it plans virtually to double output in 1996.

The loan from the EBRD will be used by Kamaz primarily to pay suppliers and employees and for capital investment to improve efficiency and to replace plant and equipment which were damaged in the fire.

Mr Jacques de Larosiere, EBRD president, said that the bank's loan was conditional on the Russian banks completing a "satisfactory restructuring" of their largely short-term loans to Kamaz.

These negotiations were expected to be completed "shortly".

Kamaz, which was founded in 1969, is located in Naberezhnye Chelny in Tatarstan, 1,000 km east of Moscow.

Directly and indirectly it employs 130,000 people, according to the EBRD.

# Takemura urged to quit over Daiwa

By William Dawkins in Tokyo

Japan's main opposition party yesterday called for the resignation of Mr Masayoshi Takemura, the finance minister, because of what it called the "national disgrace" of the Daiwa Bank fiasco.

The New Frontier party demanded that Mr Takemura face questions at full session of parliament, over events leading to the $1.1bn trading loss at the New York office of Daiwa, and last week's New York Federal Reserve order that Japan's 10th largest commercial bank must auspend ita US operations because of alleged infringements of banking law.

Given the strength of the government coalition's majority, Mr Takemura is unlikely to be forced out. But it would be harder for the government to resist the call for an open parliamentary dehate on Daiwa, which would add greatly to ministry bank inspectors' embarrassment.

The government yesterday showed little inclination to attack the Finance Ministry, for fear of further weakening the Japanese financial system's international credibility, but neither did it make any ettempt to defend the financial bureaucracy. Mr Koken Nosaka, chief cabinet secretary, said the ministry "has a responsibility" for the Daiwa case and "should do its best to prevent financial worries from spreading to the entire financial system in Japan".

Inevitable calls for better financial controls began to emerge in the media yesterday, led hy an editorial in the Yomiuri Shimbun, the largest circulation daily newspaper. The Finance Ministry was less effective than foreign financial administrators and the delay in informing US anthorities of the Daiwa losses had undermined its credibility, said the newspaper. In partial exoneration, the Yomiuri pointed to the gap between Japanese banks' cultural preference for resolving problems and leading western markets' legal requirement for prompt disclosure.

The tida of criticism will support attempts, originating from before the Daiwa case, to beef up Jepan's surprisingly small financial police force, which hes been increasingly stretched as financial deregulation gathers pace and as economic stagnation uncovers more failures. The Finance Ministry says it has 400 banking inspectors, in Tokyo and local offices, compared with the 8,000 inspectors doing similar work in the US.

Both the ministry and the Bank of Japan yesterday reiterated that they would reinforce inspection of Japanese banks' overseas operations. But so far, attempts by some in the ministry to seek support for more bank inspectors have come up against resistance from the budget bureau. Mr Takemura is reluctant to take on more staff, because cutting bureaucratic costs is one of the more popular themes pursued by his New Harbinger party.

However, parts of the Liberal Democratic party, which dominates economic and financial policy, have recently come out in favour of a bigger financial inspectorate – but under the wing of the Japanese central bank, not the ministry.

Last week, the party's committee on financial systems research proposed dreft changes to the Bank of Japan'a founding law, to give it stronger powers to inspect banks. The draft also proposes, controversially, that the bank's policy making committee should be more than tripled in size, from the present seven members, to embrace more representatives from the private sector. That idea has mat criticism from bankers and academics, who argue that it will only complicate the setting of monetary policy.

However, the draft as a whole is the start of the first general rethink of the central bank's role in 30 years.

Merger speculation, Page 17

Takemura: unlikely to go

# Patten unhappy over progress towards transfer

By Simon Holberton and Peter Montagnon in Hong Kong

Mr Chris Patten, Hong Kong's governor, said yesterday there had been a disappointing lack of follow-through on agreements to smooth Hong Kong's transfer to Chinese rule after last month's UK visit by China's foreign minister, Mr Qian Qichen.

The visit had been hailed by both sides as a great success hut, in an interview, he said "subsequent progress on really important transitional matters has been once again imperceptible".

Mr Patten said last week's session in Beijing of the Joint Liaison Group, the bilateral body overseeing the transfer, failed to take steps forward that might have been expected following the London meeting.

The governor said recent statements by Chinese officials that Beijing would water down Hong Kong's Bill of Rights, an important guarantee of civil liberties in the colony, were "extremely surprising in their timing and worrying in their impact".

In spite of the glow surrounding the talks between Mr Qian and Mr Malcolm Rifkind, UK foreign secretary, Mr Patten described the management of bilateral relations as involving "at best fits and starts, rather than sustained momentum".

He added that there were also strains over the issue of 21,000 Vietnamese boat people still in camps in Hong Kong. He said it was difficult to know if China's demand that Britain take responsibility for their welfare after tha handover were "a propaganda device designed to attempt to embarrass Britain or whether it is a serious piece of negotiation".

"It's hardly helpful to give people in the camps the impression that if they hang in there long enough they may well find that Britain opens its doors to them," he said. "We are making every effort to ensure that the Vietnamese return to Vietnam as soon as possible."

Mr Patten, however, refused to make a firm commitment that all the boat people would have left Hong Kong by the handover in mid-1997.

Britain and China had begun to discuss details of the handover ceremony which is to be "solemn, grand and dignified". Mr Patten said every television camera in the world would be focused on Hong Kong at the time and he expressed concern abont how it would look if China made good some of its threats.

"How much dignity [will there be] if the world is focusing on legislators who have been chucked out of the Legislative Council and on legislation which has been gutted of human rights?"

Mr Patten did hint at some optimism on the long-running dispute concerning the further development of Hong Kong's container port, which economists say is vital to maintain the colony's competitiveness in shipping. "It's not easy, but I hope we can find a way forward," he said.

Chris Patten: disappointed

## Divisive policy criticised by World Bank

# Suharto backs subsidies for high-tech industries

By Manuela Saragosa in Jakarta

Indonesia's President Suharto appears to have sided with ministerial colleagues who support sustained state aid for the country's controversial high-technology industries. President Suharto'a comments, published in a local newspaper, are the first in which he has publicly taken sides in one of the country's longest-running arguments.

Indonesia's high-tech industries, such as IPTN, the aircraft maker, have received huge stata funds, a policy which has been criticised by the World Bank and which has bitterly divided the Indonesian government.

"There are some parties in Indonesia who cannot appreciate and are not satisfied with domestic products meraly because they are narrow minded," President Suharto was quoted as saying in The Jakarta Post.

"We feel their lack of appreciation is simply a result of their ignorance."

These strong comments were made in reference to Mr Ridwan Fataruddin, chief executive of Merpati Nusantara Airlines, a state-owned domestic airline, who last month refnsed to lease aircraft assembled at IPTN, a state company which is chaired by the minister for research and technology, Mr Yusuf Habibie, the man widely credited with developing Indonesia'a high-tech sector.

Mr Fataruddin said the leasing fee of $110,000 for each CN-235 was too high and that the CN-235s already in operation at Merpati were costly and inefficient. Merpati is tha wholly-owned subsidiary of the national flag carrier, Garuda, which the government wants to privatise in mid-1997.

Mr Fataruddin has since been dismissed though Mr Heryanto Dhanutirto, transport minister, said last week his removal had nothing to do with his refusal to lease the CN-235s. He said Mr Fataruddin was dismissed for taking out an unauthorised loan to huild Merpati's new head office.

Mr Dhanutirto, e former aide of Mr Habibie, said he had received clearance from the Ministry of Finance, which represents the government's shareholding in Merpati, to dismiss Mr Fataruddin. Mr Mar'ie Muhammad, the minister of finance, has made no public comment.

Analysts said the finance minister'a silence on the matter was a sign that he does not agree with the transport minister's decision to sack Mr Fataruddin. They say the affair is further evidence of e rift between Mr Muhammad and Mr Habibie, who clashed earlier this year over the provision of export credits to high-tech industries. Mr Habibie argues that a lack of export credits were harming the international competitiveness of many of the companies within his brief.

The government has spent millions of dollars over tha past decade in an effort to develop high-tech industries, such as shipbuilding and aircraft manufacture. This has been criticised by some Indonesian economists, as well as the World Bank, who say the industries remain inefficient and the funds would be better spent in other sectors of the economy.

## ASIA-PACIFIC NEWS DIGEST

# Japanese credit union denial

Mr Harunori Takahashi, former president of Tokyo Kyowa Credit Association, one of the two small Tokyo-based credit unions embroiled in a growing financial scandal, yesterday denied allegations of intentional breach of trust. Speaking at his first court bearing, Mr Takahashi, also head of the EIE, a property development group, admitted arranging massive illegal loans to group affiliates but argued he did not intentionally violate the law.

Five people including Mr Takahashi have been indicted for breach of trust in connection with the two failed credit co-operatives. Mr Toshio Yamaguchi, former labour minister and member of the leading opposition party, has also been implicated in the growing scandal. Mr Shinsuke Suzuki, former head of Anzen Credit Credit Bank, pleaded guilty to charges of breach of trust as did Mr Shirokichi Ito, former director of Anzen. Mr Takahashi has been indicted on two other charges of alleged illegal lending totalling Y19.4bn ($187m) from Tokyo Kyowa and Anzen. *Emiko Terazono Tokyo*

## Machine tool orders pick up

A small note of cheer for Japan's convalescent economy appeared yesterday in the form of the highest September machine tool orders in three and a half years. Machine tool companies, whose sales are an advance indicator of overall industrial investment, reported that their customers ordered Y72.3bn ($697m) worth of equipment last month, a 40 per cent increase on September 1994. That brings the increase so far this year to 38.9 per cent. The strongest order growth last month, up 41.7 per cent, came from car makers, which are buying machinery to prepare for model changes planned for next year. *William Dawkins, Tokyo*

## Jaffna refugee numbers doubted

Sri Lanka's government said it "seriously doubted" aid agency estimates that more than 300,000 people had been displaced by present fighting in the northern Jaffna Peninsular. It put the figure at 100,000, and insisted "the entire relief operation will be conducted by tha government". Mr Lakshman Kadirgamar, foreign minister, said three ships carrying 6,450 tonnes of flour, lentils and rice were scheduled to leave for Point Pedro, on the north-east of the peninsula, in the next 14 days and that a special government "unit" had been established to co-ordinate other relief needs.

However, the government, which was stung hy a weekend statement from the United Nations secretary general expressing "deep concern" over the number of displaced in the government's attack on Jaffna city, said that apart from accepting assistance from the International Committee of the Red Cross, the government would not allow non-governmental organisations "to conduct their own relief operations in their own way". *Mark Nicholson, Colombo*

## Thai inflation target raised

Thailand's Finance Ministry has revised its annual inflation rata projection up to 5.5 per cent from an earlier target of 5 per cent. The revision comes after the Commerce Ministry on Friday said the year-on-year consumer price index in October jumped to 6.6 per cent from 6.2 per cent in September. Mr Suraklart Sathirathai, finance minister, said the government had no plans to implement additional measures to control prices, saying that rising inflation was due to abnormal increases in food prices caused by the worst flooding in more than a decade. *Ted Bardacke, Bangkok*



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# Bouchard keeps Québécois waiting on premiership

By Robert Gibbens in Montreal and Bernard Simon in Toronto

Quebec separatists and the rest of Canada are on tenterhooks waiting for Mr Lucien Bouchard to decide whether to take over as premier of the French-speaking province.

Mr Bouchard, 57, was the driving force behind the separatists' strong showing in last week's independence referendum, in which Québécois voted by a 50.4-49.6 margin to remain part of Canada.

However, Mr Bouchard said he will not decide until later this month whether to move to Quebec City, continue in his present position as leader of the Bloc Québécois, which represents the separatist cause in the federal parliament in Ottawa, or quit politics.

Quebec's current premier, Mr Jacques Parizeau, announced his resignation the day after the referendum. Mr Bouchard is under strong pressure from his followers to replace him.

Federalist politicians view Mr Bouchard as the most serious threat to their efforts to persuade Quebec to remain part of Canada. They are especially concerned that Mr Bouchard would call an early election in Quebec to give him a mandate to move towards independence. Although the pro-secessionists lost the referendum, it won majorities in all but a few dozen of Quebec's 125 constituencies.

But Mr Bouchard, who lost his left leg to a rare flesh-eating disease earlier this year, indicated that his American-born wife and two young sons would prefer him to leave politics. He said his sons almost spit when they say the word "referendum".

Other potential contenders for the Quebec premiership would probably stand down in Mr Bouchard's favour. But the new premier faces the challenge of an austerity budget next spring.

Quebec's budget deficit is expected to reach more than C$5bn ($3.73bn)in the fiscal year to March 31 1996, and its credit rating was reduced earlier this year.

Mr Parizeau warned before resigning last week that draconian spending cuts were needed because of reductions in federal transfers. The government also threatened earlier this year to raise sales taxes if it lost the referendum.

If Mr Bouchard declines the premier's job, Mrs Pauline Marois, named as finance minister last week, would be a frontrunner for the job. Once Mr Parizeau's assistant at the finance department, she negotiated a peaceful settlement with the province's civil servants this summer as treasury board president.

Like Mr Bouchard, she is viewed as a moderate, but nonetheless committed to the separatist cause.

# Republicans eye Southern electorate

## Today's vote will give pointers on party's chances next year, writes Jurek Martin

Next year the South may prove to be the Achilles' Heel for President Bill Clinton and the Democratic Party, and today's scattered off-year elections will demonstrate how realistic the Republican chances are of inflicting serious harm.

They will also give pointers across the country of the extent to which the Republican "revolution" in Washington is going down well in the heartlands. Democrats, mostly but not always on the defensive, have increasingly been invoking fear of the social radicalism of Mr Newt Gingrich, the Speaker of the House, in their campaigns.

*Kirk Fordice of Mississippi (left), and George Allen of Virginia*

The biggest southern litmus test is in Virginia, where the Republicans stand a fair chance of wresting control of both houses of the state assembly from the Democrats for the first time since the Reconstruction era after the Civil War. In spite of big gains last year, in no southern state do the Republicans enjoy majorities in both chambers.

Also to be watched closely are the races for governor in Mississippi, now in the Republican hands of Mr Kirk Fordice, and Kentucky, where there is no incumbent but which has been inhabited by Democrats for the last 24 years.

In Virginia, Democrats currently hold wafer-thin majorities – 22-18 in the senate, 52-47 in the house, with one independent. This edge is minuscule by historical standards set in the heyday of the old Democratic machines, but it has been sufficient in the last year to frustrate most of the more far-reaching social policy reforms proposed by Republican governor George Allen.

Mr Allen, son of a famous football coach and an unabashed devotee of Mr Gingrich, is very popular in the more conservative rural south, less so in the suburbs of Washington, DC, in the north. Tying his own future to that of his party, his theme throughout is that state voters should send "a message to the Clinton administration that we don't want his liberal ideas prevailing in Virginia".

The Christian Coalition of religious conservatives has a strong base in Virginia, as witnessed in Mr Allen's election in 1993 and in last year's mid-term elections. It has distributed about 800,000 "voter guides" emphasising opposition to liberal positions on abortion, welfare, crime and education.

That has disturbed some moderate Republicans, among them Mr Linwood Holton, a former governor. He said last week he had always felt "you had to pull in the middle in order to get a majority".

While most of today's other races are dominated by local personalities and considerations, voters in 19 scattered towns in the middle and far west will also be able to take part in a non-binding "presidential preference" poll.

The names of Mr Clinton and leading Republican candidates will not appear on all of the ballot papers, but the results may be read as an indication of the popularity of retired Gen Colin Powell, whose decision on whether to run for president is expected soon.

# San Francisco poll shuns national issues

By Christopher Parkes in Los Angeles

In political terms at least, the straightest campaign line in San Francisco's mayoral election has been trodden by a 45-year-old lesbian, Ms Roberta Achtenberg, who was making up ground even as polling started this morning.

The apparent leaders, Mr Frank Jordan, an ex-cop of Irish descent, and Mr Willie Brown, a nationally renowned black wheeler-dealer, appeared to have little left to say after a campaign almost entirely devoid of national issues and in which the Republican party played no discernible role. All three leading contenders are Democrats.

Despite vigorous attempts to spice up the agenda – homelessness, bad schools and bus services, rising crime – the substantive debate has been stifled by the narrowness of the political divide between the candidates.

By their own reckonings, Ms Achtenberg and Mr Brown count as liberal, and Mr Jordan, whose most effective policy move of his first-term was to instruct the police to be tougher on vagrancy, is a moderate.

Mr Jordan last week became the focus of much attention – and derision over his flabby physique – when he allowed himself to be photographed in the shower with two radio talk-show hosts. He claimed he was merely trying to liven up a boring campaign.

Dullness is perhaps inevitable in the politics of this most tolerant and liberal of US cities which, arguably, counts among the most successful large-scale urban communities in the country.

The spice has come mainly from the participation of Mr Willie Brown, a 31-year veteran of the California state assembly, who has been obliged by term limits to give up his speakership and long-term domination of the Sacramento political scene.

The fact that much of his powerbase is in the out-of-the-way state capital may be his main disadvantage, but Mr Jordan has piled on the agony, reminding the electorate of his opponent's reputation for political gamesmanship. He has returned repeatedly to Mr Brown's accepting financial contributions from tobacco companies and working as a lawyer for companies with interests in city projects.

The man who wants to be San Francisco's first black mayor has also been reminded of his defence of alleged Colombian drug traffickers.

# EU envoys face bullish Cuba lifted by economy

By Pascal Fletcher in Havana

European Union envoys in Cuba this week for talks on a possible co-operation accord will find a government increasingly confident about prospects for economic recovery and apparently equally determined to resist outside pressure for political reform.

European diplomats in Havana say the talks are aimed at sounding out the Cuban position ahead of negotiations on a formal accord. The EU has signed co-operation agreements with every Latin American state except communist-ruled Cuba.

While both sides insist there are no preconditions, EU members, including Spain, current holder of the EU presidency, have made it clear they see political reform and human rights in Cuba as issues that cannot be ignored. The EU is also likely to press for faster, deeper economic reforms.

But Havana-based diplomats say President Fidel Castro's government feels much stronger than a year ago, its confidence boosted by signs of economic recovery, worldwide condemnation at the United Nations last week of a US trade embargo and the recent morale-boosting trip to New York by Mr Castro.

This confidence seems to have strengthened the government's determination to resist outside pressure – from friends or enemies – to open up Cuba's political system or embrace a fully fledged market economy.

"We have plenty of reasons to be optimistic," Mr Roberto Robaina, Cuba's foreign minister, told more than 300 Cuban exiles, some of them known anti-communists, at a conference in Havana this weekend.

Mr José Luis Rodriguez, economy and planning minister, told the conference he expected the Cuban economy to grow about 2.5 per cent this year, an improvement on the 0.7 per cent growth reported for 1994.

Government leaders heard at least one impassioned call from the exiles for political reform. But while they listened politely, they were generally adamant Cuba would not accept political recipes imposed from outside.

Mr Robaina chided those who denounced the US embargo while at the same time persuading Cuba to adopt other political and economic models. He said they were committing a "crass mistake".

This is precisely the two-handed approach towards Cuba adopted by the EU and other major trading partners of the island, such as Canada.

The government's morale was bolstered by the UN General Assembly resolution, passed overwhelmingly on November 2, which called on the US to lift its economic embargo against Cuba.

"Today, the world is with us, breaking this blockade," Mr Robaina said.

# Haitian PM mixes signals on reform

By Canute James in Port of Spain

Mrs Claudette Werleigh, Haiti's new prime minister, says she will pursue controversial economic reform on which foreign aid for the country depends. She has, however, appointed a finance minister known to be opposed to the privatisation of state enterprises – the issue which led to the resignation of Mr Smarck Michel, the previous prime minister.

Mrs Werleigh's nomination as prime minister by President Jean-Bertrand Aristide was ratified by the Senate on Sunday. She was due to appear before the lower house last night, and was expected to be strongly supported by the deputies.

Mrs Werleigh, formerly the foreign minister, said she would encourage debate about the proposal to sell nine state enterprises. The divestment is central to a programme of economic reform agreed between the government and bilateral, multilateral and commercial creditors and donors. The reforms will unlock aid of $1.2bn which Haiti's depressed economy desperately needs.

In a cabinet reshuffle, Mrs Werleigh named Mr Jean-Marie Cherestal, the former planning minister, as the finance minister, replacing Mrs Marie-Michele Rey. Mr Cherestal has publicly questioned the planned privatisation of state enterprises, which include the telecommunications and electricity companies, a flour mill and airports and seaports.

The prime minister said her main political task was preparing the country for the presidential election, scheduled for December. Mr Aristide is barred by the constitution from standing for a consecutive term. He will leave office in February.

The differences over privatisation have split the Haitian government and threatened foreign aid to the weakest economy in the Americas.

Mr Michel decided to quit after Mr Aristide apparently refused to mediate in the cabinet row over the issue.

## 'Don't whisper a prayer; it's better to sing a song of peace with a great shout'

# World leaders mourn martyred Rabin

By Julian Ozanne in Jerusalem

Twenty-two presidents, 25 prime ministers, the German chancellor, an Arab king and the heir to the British throne were among representatives of 80 countries in Jerusalem to pay their last respects yesterday to the warrior who became a martyr for peace.

Many joined young Israeli soldiers and older civilians in tears as Mr Yitzhak Rabin was laid to rest with full military honours in a simple grave on the wooded Mount Herzl, where the remains of numerous Israeli leaders and military heroes lie.

In the crowd of world dignitaries at the burial site were representatives of six Arab countries, including the Gulf states of Qatar and Oman, wearing flowing Arab robes and headdresses – a testament to the revolution in the Middle East that will be the legacy of the assassinated prima minister.

Egyptian President Hosni Mubarak broke his long refusal to visit Israel. For King Hussein of Jordan, wearing a red and white chequered headdress, it was the first time in Jerusalem since July 1951 wheo, as a teenager, be stood beside his grandfather King Abdullah as he was gunned down by an assassin at the Al-Aqsa mosque.

"We are not ashamed, nor are we afraid, or anything but determined to fulfil the legacy [of peace] for which my friend fell as did my grandfather in this very city when I was with him as a young boy," said the visibly shaken king, given the honour of speaking second after Israeli President Ezer Weizman. "As long as I live I'll be proud to have known him, to have worked with him as a brother, as a friend and as a man."

Moslem, Druse and Jewish leaders were there, together with religious figures from the various Christian sects. To shade them from the sun many dignitaries bad been given blue baseball caps – one of Mr Rabin's trademarks.

A 100-strong US delegation led by President Bill Clinton included many men who shaped Washington's foreign policy in the past or who plan to do so in the future. They inclnded former presidents Jimmy Carter and George Bush, Mr Bob Dole, Senate majority leader, and Mr Newt Gingrich, House speaker.

Before the ceremony began 1m grief- stricken Israelis – one in five of the population – had in 24 hours filed past Mr Rabin's coffin, which was draped in the blue and white Star of David Flag and lying in state in front of the Knesset (parliament).

Quiet fell throughont the city, where shops displayed Mr Rabin's photograph, draped with black rihhons. Thousands of Israalis, stunned that a fellow Jew had broken a taboo on spilling Jewish blood, lined the streets as the cortege proceeded from the Knesset to Mount Herzl.

"I never liked Rabin personally," said one woman. "But after he died I suddenly understood what he means to me and what he means to the country. He tried to do the best for us."

To mark the start of the funeral at 2pm a siren wailed for two minutes throughout Israel. Traffic ground to a halt in the middle of the road and people got out of their cars to stand with arms folded in silent prayer.

Hundreds of invited guests gathered on Mount Herzl beneath the pines and cypresses to hear tribntes to Mr Rabin. The most moving came from his granddaughter and from his closest advisers, Mr Eitan Haber and Mr Shimon Sheves, who both regarded the 73-year-old Mr Rabin as a father figure.

Fighting back emotion, Mr Haber read from the blood-stained score of "The Song of Peace" which had been removed from Mr Rahin's breast pocket after his death. Mr Rabin had sung the song at a peace rally minutes before being shot and Mr Haber read the last lines of the song: "Don't whisper a prayer; it's better to sing a song of peace with a great shout."

Mr Rabin's widow Leah broka down several times during the ceremony but sbe managed to smile when Mr Clinton described how Mr Rabin, who preferred open-necked shirts, had his black tie straightened by the US president at a recent official engagement.

It was one of the many tribntes to Mr Rabin's shy and informal manner throughout a ceremony which concluded with clouds rolling in and a 21-gun salute from Israeli infantrymen, fired through the trees above a humble grave.

*Israeli embassies will be open to members of the public wishing to sign a book of condolence today and tomorrow, from 10am to 5pm. Identification, with a photograph, is requested. London address: 2 Palace Green, W8.*

# Admired abroad, Peres must win trust at home

By Mark Dennis in Jerusalem

Three years ago Mr Shimon Peres, Israel's acting prime minister, had all but lost hope of leading his country into an era of peace he had done so much to create.

He had lost his party's leadership to his rival, Mr Yitzhak Rabin, and at the age of 72 was resigned to helping Mr Rabin implement tbeir vision of a "new Middle East". But Mr Rabin's assassination has thrust Mr Peres back into a leadership role he has coveted throughont a political career that spans tha entire history of the Jewish state.

Mr Peres is the architect of the Labour government policy that has led the Israelis and Palestinians closer than ever to a solution for their decades-old conflict. But now the visionary must go it alone without his hard-nailed, cantankerous salesman, Mr Rabin.

In his eulogy for Mr Rabin yesterday Mr Peres promised to continue the peace programme.

"Neither I nor you are allowed to stop nor postpone nor hesitate on the road to a full and comprehensive peace."

Mr Peres, who should he asked shortly by Israeli President Ezer Weizman to form a new government, is now without the senior partner of what became a very successful coalition within the Labour party. While Mr Peres was tha intellectual engine behind the process, Mr Rabin gave it domestic legitimacy. But the hig question remains: Can the once and future prime minister captain the dlfficult process ahead?

Shimon Peres at the Rabin funeral yesterday

Mr Peres, perhaps Israel's most admired leader abroad, has always had credibility problems at home. A smooth-talking politician famous for his metaphorical flourishes, he moves easily in diplomatic circles.

During the 1948 war, at the age of 25, Mr Peres travelled the world procuring arms for the nascent Israeli state. He became a member of the Knesset in 1959 and a cabinet minister a decade later. After losing a Labour leadership battle to Mr Rabin in 1974, Mr Peres won its top position in 1977 and served briefly as prime minister in a "national unity" government in the 1980s.

But while long a brilliant and trusted deputy to a string of Labour prime ministers, he became the leader who could not qulte finish. He never won a national election outright. To many, the problem was image: Israelis never seemed completely to trust him. He was not a warrior. He was not blunt. He shied from confrontation. In short, he was not Mr Rabin.

Labour, seeking a leader who could give it victory, elected Mr Rabin to head its list in 1992, after a hitterly fought contest between the two men. Mr Rabin won the election Mr Peres never could. But instead of sulking, Mr Peres reverted to bia strength: working behind the scenes.

The two men needed each other. Whila Mr Rabin, with his "Mr Security" image, broke ground with a sceptical public, Mr Peres was the man with tha plan. This was recognised last year when ha shared the Nobel peace prize with Mr Rabin and Mr Yassir Arafat, the Palestinian leader.

The Rabin-Peres rivalry evolved into a close alliance over the last three years and led to their final moment together at the Tel Aviv rally: as euphoric co-leaders of a government that had seemed finally to coalesce. Three bullets changed all that.

Now Mr Peres is number one again, a position that never suited him in the past. Israel is still acntely divided and Mr Peres must oversee a controversial redeployment from parts of the West Bank, followed by what promise to be tortuous final status talks. Can he lead Israel at such a crucial juncture?

Many analysts say Mr Peres should be bolstered by sympathy in the short term, and he has a talented group of Labour party doves in his camp. But the assassination has ushered in a new era in which all calculations must be rethought. The architect must become a salesman.

# Reviled extremists hail death of an 'evil man'

By James Harding in the West Bank

Not all Israel wept. In a community of orthodox Jewish settlers in the West Bank, Mr Moshe Belogorodsky was in triumphant mood as assassinated prima minister Yitzhak Rabin was laid to rest.

"There is nothing wrong with celabrating Rabin'a death. He was an evil man. When Hitler died the whola world celebrated, because he too was an evil man," said the follower of the late Meir Kahane, the rabbi who formed a movement based on hatred of Arabs and fanatical attachment to the biblical lands of Israel.

Mr David Axelrod, Mr Belogorodsky's neighbour in the half-empty settlement at Kfar Tepuach, is also a Kahane follower. He was only disappointed Mr Shimon Peres, the peace-seeking former foreign minister and now acting prime minister, had not been killed as well. "They shot the sheriff, it is a shame they did not shoot the deputy too," he said.

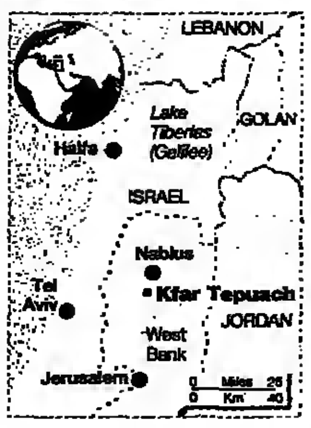
The rhetoric of extreme religious and secular Zionists nurtured the thinking of Yigal Amir, Mr Rabin's assassin, who yesterday confessed to the crime in a Tel Aviv court and said he had "acted on God's orders".

The most extreme Zionists have been steeled by the assassination. But unrepentant talk is alienating them from a grieving nation. Even within Kfar Tepuach, other orthodox Jews and committed settlers wers disgusted hy the comments of Kahane followers.

Yigal Amir: confessed tn assassination

Mr Shriki Hananya, the manager of the settlement, said the local council's threat to withhold financial support for the community was unfair because the outspoken Kahanists were unrepresentative.

"They have had no occasion to speak for a couple of years and now the cameras flock here, making it look like they have a million followers and represent this community," he said, calculating there were less than half a dozen extremist families in the 70 household settlement.




There are approximately 130,000 Jewish settlers in the West Bank and Gaza, and the umbrella organisation that represents them, the Judaean-Samaria Council, dismisses the Kahane radicals, a fringe minority, out of hand.

"They are the extreme of the extreme. They are not with us and we do not sit with them and we do not talk with them," said Mr Uri Ariel, council secretary general.

But the radicals expect, and some even seek, the isolation.

"The alienation of Zionist, orthodox Jews would have come sooner or later. We are talking about a war between two cultures – people who believe in the word of God and those who don't," said Rabbi Nachum Shifren, a Californian émigré to Kfar Tepuach.

Some, like Mr Belogorodsky, even believe the division offers a solntion. Harking back to the era after King Solomon, when tbe land of Canaan divided into the kingdoms of Israel to the north and tha Kingdom of Jndah in the south, he argnes for a second, orthodox Jewish state.

"My fervent hope is that there will be a separation of the Jewish peoples. There are those who do not want the lands of Golan, Gaza, Jndea and Samaria. Bnt I do, so leave me to sort it out with the Arabs," he says.

With that, Mr Belogorodsky goes back to building another settler home, disregarding the nation's two minutes of silence and looking forward to a few drinks in the evening.

# Sabotage blamed for Nigerian refinery closure

By Paul Adams in Lagos

Nigeria's newest and most reliable oil refinery, Port Harcourt, was closed at the weekend for urgent repairs to damaged equipment.

The 150,000 b/d installation is the only one of the country's four refineries to operate consistently – if well below capacity.

Although the official explanation was sabotage, the shutdown follows a series of operational errors in the refineries owned by the Nigerian National Petroleum Corporation.

The closure follows pressure from the International Monetary Fund, the World Bank and the private sector for the government to halt mismanagement of the downstream oil sector. Oil analysts estimate the country could save more than $100m (£63m) a year if it closed down all the refineries and imported its fuel.

The closure will require an increase in fuel imports amid already high demands for foreign exchange. The government has to fund its share of its new liquefied natural gas project in time for the launch in mid-November and repay arrears on operational costs from last year to the multinational oil companies.

Despite being a leading oil exporter, Nigeria depends on imports of refined products to meet domestic fuel demand.

In 1989 the old Port Harcourt refinery was destroyed by fire and has only recently returned to service. The refinery at Kaduna in northern Nigeria has not recovered from two fires in the past two years. The second largest refinery, in the town of Warri, is also in poor condition after routine maintenance in 1994 was mishandled.

An official inquiry subsequently accused the management of incompetence and financial mismanagement.

The government is under pressure from international creditors and the private-sector oil marketers in Nigeria to end its monopoly of supply and abolish the fuel price subsidy.

According to private sector estimates, the official fuel prices leave the government with an annual deficit of N100bn ($780m) a year for the industry. Nigeria's fuel price is about US 9 cents a litre of petrol, compared to an average of 61 cents in the rest of West Africa, while the cost of importing fuel is about 21 cents a litre. Although this is a sensitive domestic issue and the government has publicly rejected a further fuel price increase, after two steep rises (from a low base) since November 1993, this is one of the main conditions for a deal with the IMF, which Nigeria has approached for aid and debt relief.

The government has also balked at privatisation and last January said instead that it was offering the oil refineries for contract leasing. There have been no offers. The equipment is in poor condition, the plants are over-staffed and the government fixes the price at less than the cost of production. Oil companies say that, with the possible exception of the new Port Harcourt refinery, they should be scrapped.

# Sudanese rebels gaining ground

The first rebel offensive in four years is fast gaining ground in south Sudan and in retaliation government aircraft bombed a town, diplomats and aid officials said on yesterday, Reuter reports from Khartoum.

The rebels had seized Pagere village on the White Nile on Sunday after taking eight other villages and towns since the assault began on October 25, they said.

The estimated 2,000 rebels in the offensive force had almost cut off up to 10,000 Sudanese government soldiers before taking Pagere but gave them time to escape to the north.

The Sudan People's Liberation Army, which was weakened by a series of splits in 1991, is fighting for greater autonomy or the secession of the Christian and animist south from the Moslem, Arabised north.

Diplomats said they doubted Sudanese government accusations that large numbers of Ugandan and Tanzanian troops were part of the offensive but could not rule out that Uganda was giving logistical support to the SPLA.

Sudan charged on Sunday that some 7,000 Ugandan and Tanzanian soldiers guided by SPLA rebels were taking part in the attack supported by 30 Ugandan tanks, mortars and heavy artillery.

Uganda has denied its army is involved. Tanzania's minister for defence, Mr Abdurrahman Kinana, told Reuters Tanzania had no reason to take part and challenged Khartoum to prove it was doing so.

The diplomats and aid officials agreed it was the first time since 1991 that the SPLA had seized towns and villages from government forces.





## INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

### UNITED STATES

| | Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1986 | 13.5 | 8.3 | 6.48 | 7.67 | 3.43 |
| 1987 | 11.8 | 6.6 | 6.82 | 8.39 | 3.12 |
| 1988 | 4.2 | 5.2 | 7.65 | 8.64 | 3.61 |
| 1989 | 1.0 | 4.0 | 8.99 | 8.50 | 3.43 |
| 1990 | 3.6 | 5.3 | 8.06 | 8.55 | 3.60 |
| 1991 | 6.0 | 3.2 | 5.87 | 7.86 | 3.21 |
| 1992 | 12.4 | 2.1 | 3.75 | 7.00 | 2.95 |
| 1993 | 11.6 | 1.3 | 3.22 | 5.86 | 2.78 |
| 1994 | 8.2 | 1.6 | 4.67 | 7.08 | 2.86 |
| 4th qtr.1994 | 2.4 | 1.1 | 5.86 | 7.83 | 2.91 |
| 1st qtr.1995 | 1.0 | 1.0 | 8.12 | 7.47 | 2.86 |
| 2nd qtr.1995 | 0.1 | 1.7 | 8.03 | 6.60 | 2.66 |
| 3rd qtr.1995 | –0.7 | 3.4 | 5.79 | 6.32 | 2.53 |
| November 1994 | 2.2 | 1.0 | 5.81 | 7.95 | 2.91 |
| December | 1.7 | 0.9 | 6.26 | 7.81 | 2.96 |
| January 1995 | 1.5 | 1.1 | 6.23 | 7.77 | 2.92 |
| February | 0.9 | 1.1 | 8.12 | 7.46 | 2.85 |
| March | 0.6 | 1.0 | 6.15 | 7.20 | 2.81 |
| April | 0.8 | 1.1 | 8.12 | 7.05 | 2.74 |
| May | –0.0 | 1.5 | 8.05 | 6.63 | 2.68 |
| June | –0.3 | 2.6 | 5.94 | 8.12 | 2.81 |
| July | –0.6 | 2.8 | 5.80 | 6.26 | 2.55 |
| August | –0.2 | 3.5 | 5.82 | 6.50 | 2.55 |
| September | –0.9 | 4.0 | 5.74 | 6.12 | 2.48 |
| October | | | 5.81 | 6.03 | 2.46 |

### JAPAN

| | Narrow Money (M1) | Broad Money (M2+CDs) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1986 | 6.9 | 6.2 | 5.12 | 5.35 | 0.84 |
| 1987 | 10.5 | 11.5 | 4.15 | 4.64 | 0.55 |
| 1988 | 8.4 | 10.4 | 4.43 | 4.77 | 0.54 |
| 1989 | 4.1 | 10.6 | 5.31 | 5.16 | 0.48 |
| 1990 | 2.6 | 8.5 | 7.62 | 8.90 | 0.65 |
| 1991 | 5.2 | 2.0 | 7.21 | 6.40 | 0.75 |
| 1992 | 4.5 | –0.4 | 4.26 | 5.24 | 1.00 |
| 1993 | 3.0 | 1.4 | 2.83 | 4.18 | 0.87 |
| 1994 | 5.4 | 2.9 | 2.12 | 4.20 | 0.78 |
| 4th qtr.1994 | 5.5 | 2.9 | 2.23 | 4.60 | 0.76 |
| 1st qtr.1995 | 5.0 | 3.6 | 2.15 | 4.38 | 0.86 |
| 2nd qtr.1995 | 6.1 | 3.3 | 1.23 | 3.27 | 0.93 |
| 3rd qtr.1995 | 6.7 | 2.8 | 0.66 | 3.05 | 0.86 |
| November 1994 | 5.5 | 2.7 | 2.24 | 4.63 | 0.79 |
| December | 4.9 | 2.9 | 2.24 | 4.53 | 0.79 |
| January 1995 | 5.5 | 3.2 | 2.23 | 4.80 | 0.80 |
| February | 4.9 | 3.7 | 2.20 | 4.52 | 0.85 |
| March | 4.5 | 3.8 | 2.04 | 4.08 | 0.82 |
| April | 5.8 | 3.2 | 1.37 | 3.52 | 0.82 |
| May | 5.9 | 3.3 | 1.24 | 3.35 | 0.91 |
| June | 7.0 | 3.3 | 1.09 | 2.96 | 0.96 |
| July | 7.2 | 2.9 | 0.80 | 2.81 | 0.91 |
| August | 8.6 | 2.9 | 0.71 | 3.25 | 0.85 |
| September | 10.2 | 2.8 | 0.46 | 2.97 | 0.82 |
| October | | | 0.41 | 2.89 | 0.83 |

### GERMANY

| | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1986 | 10.0 | 6.7 | 4.64 | 5.90 | 1.79 |
| 1987 | 8.0 | 7.3 | 4.03 | 8.14 | 2.21 |
| 1988 | 9.7 | 6.4 | 4.34 | 8.46 | 2.61 |
| 1989 | 6.3 | 5.7 | 7.12 | 8.90 | 2.22 |
| 1990 | 4.5 | 4.5 | 6.49 | 6.66 | 2.11 |
| 1991 | 5.1 | 5.6 | 8.25 | 6.42 | 2.38 |
| 1992 | 7.0 | 8.2 | 9.52 | 7.79 | 2.45 |
| 1993 | 8.4 | 7.9 | 7.28 | 8.47 | 2.11 |
| 1994 | 9.6 | 9.0 | 5.36 | 6.84 | 1.76 |
| 4th qtr.1994 | 6.7 | 5.9 | 5.26 | 7.51 | 1.83 |
| 1st qtr.1995 | 3.8 | 0.3 | 5.11 | 7.41 | 1.90 |
| 2nd qtr.1995 | 2.8 | –1.1 | 4.60 | 6.87 | 2.09 |
| 3rd qtr.1995 | 3.3 | –0.7 | 4.41 | 6.68 | 1.98 |
| November 1994 | 8.3 | 6.2 | 5.21 | 7.50 | 1.82 |
| December | 5.1 | 4.1 | 5.40 | 7.45 | 1.83 |
| January 1995 | 3.9 | 1.4 | 5.16 | 7.58 | 1.85 |
| February | 4.3 | 0.1 | 5.10 | 7.40 | 1.83 |
| March | 3.3 | –0.5 | 5.07 | 7.25 | 2.00 |
| April | 2.5 | –1.2 | 4.68 | 7.07 | 2.12 |
| May | 3.7 | –1.3 | 4.59 | 6.85 | 2.10 |
| June | 2.3 | –0.7 | 4.53 | 8.70 | 2.06 |
| July | 2.9 | –1.2 | 4.56 | 8.79 | 2.01 |
| August | 3.3 | –0.2 | 4.46 | 6.71 | 1.97 |
| September | 3.5 | –0.1 | 4.18 | 6.56 | 1.96 |
| October | | | 4.09 | 6.54 | 2.04 |

### FRANCE

| | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1986 | 6.9 | 6.4 | 7.79 | 8.36 | 2.65 |
| 1987 | 4.1 | 11.5 | 8.63 | 8.46 | 2.75 |
| 1988 | 3.6 | 8.3 | 7.94 | 9.08 | 3.69 |
| 1989 | 7.5 | 10.0 | 9.40 | 8.79 | 2.88 |
| 1990 | 3.8 | 9.3 | 10.32 | 8.92 | 3.18 |
| 1991 | –4.8 | 2.4 | 8.62 | 9.03 | 3.58 |
| 1992 | –0.2 | 5.4 | 10.36 | 8.57 | 3.55 |
| 1993 | 1.8 | –3.0 | 8.55 | 8.75 | 3.21 |
| 1994 | 2.9 | 1.8 | 5.84 | 7.21 | 2.99 |
| 4th qtr.1994 | 2.9 | 1.8 | 5.74 | 8.10 | 3.10 |
| 1st qtr.1995 | –0.6 | 2.8 | 6.65 | 8.07 | 3.22 |
| 2nd qtr.1995 | 1.3 | 4.5 | 7.47 | 7.59 | 3.10 |
| 3rd qtr.1995 | | | 8.12 | 7.35 | 3.11 |
| November 1994 | 3.1 | 0.7 | 5.61 | 6.13 | 3.08 |
| December | 2.9 | 1.9 | 5.97 | 8.01 | 3.06 |
| January 1995 | 0.7 | 2.6 | 5.92 | 6.79 | 3.20 |
| February | 0.9 | 3.4 | 5.83 | 7.98 | 3.21 |
| March | –0.8 | 2.8 | 8.07 | 8.01 | 3.26 |
| April | –0.0 | 3.2 | 7.78 | 7.80 | 3.11 |
| May | 1.8 | 4.0 | 7.46 | 7.54 | 3.05 |
| June | 1.3 | 4.5 | 7.18 | 7.45 | 3.14 |
| July | 0.6 | 4.2 | 6.44 | 7.42 | 3.09 |
| August | 1.3 | 5.1 | 5.96 | 7.30 | 3.06 |
| September | | | 5.98 | 7.34 | 3.19 |
| October | | | 6.69 | 7.47 | 3.31 |

### ITALY

| | Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1986 | 10.6 | 8.4 | 13.25 | 11.47 | 1.41 |
| 1987 | 10.4 | 9.6 | 11.32 | 10.58 | 1.94 |
| 1988 | 7.8 | 8.5 | 11.24 | 10.54 | 2.71 |
| 1989 | 7.1 | 9.3 | 12.42 | 11.61 | 2.46 |
| 1990 | 8.3 | 10.1 | 11.98 | 11.87 | 2.64 |
| 1991 | 7.3 | 8.5 | 11.83 | 13.20 | 3.45 |
| 1992 | 6.7 | 7.7 | 13.86 | 13.29 | 3.63 |
| 1993 | 4.8 | 7.4 | 10.22 | 11.23 | 2.35 |
| 1994 | 6.8 | 5.1 | 8.48 | 10.56 | 1.67 |
| 4th qtr.1994 | 3.8 | 1.9 | 8.83 | 12.12 | 1.75 |
| 1st qtr.1995 | 1.3 | 0.1 | 9.70 | 12.79 | 1.70 |
| 2nd qtr.1995 | –0.8 | –0.7 | 10.69 | 12.71 | 1.76 |
| 3rd qtr.1995 | –0.3 | 0.4 | 10.52 | 11.79 | 1.84 |
| November 1994 | 3.6 | 1.8 | 8.68 | 12.05 | 1.74 |
| December | 3.2 | 1.7 | 9.03 | 12.22 | 1.80 |
| January 1995 | 0.8 | 0.0 | 8.05 | 12.40 | 1.68 |
| February | 2.0 | 0.2 | 8.98 | 12.41 | 1.64 |
| March | 1.0 | –0.1 | 10.96 | 13.48 | 1.79 |
| April | –0.6 | –0.9 | 10.84 | 13.44 | 1.72 |
| May | –0.3 | –0.5 | 10.41 | 12.37 | 1.68 |
| June | –1.4 | –0.6 | 10.85 | 12.41 | 1.86 |
| July | –0.9 | –0.4 | 10.88 | 12.23 | 1.75 |
| August | –0.3 | 0.4 | 10.44 | 11.87 | 1.58 |
| September | 0.3 | 1.2 | 10.26 | 11.49 | 1.81 |
| October | | | 10.69 | 11.95 | 1.76 |

### UNITED KINGDOM

| | Narrow Money (M0) | Broad Money (M4) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1986 | 4.0 | 15.4 | 11.02 | 10.21 | 4.35 |
| 1987 | 4.7 | 15.2 | 8.77 | 8.69 | 3.60 |
| 1988 | 6.8 | 17.3 | 10.41 | 8.62 | 4.48 |
| 1989 | 5.9 | 17.8 | 13.86 | 10.11 | 4.36 |
| 1990 | 5.3 | 16.1 | 14.82 | 11.56 | 5.07 |
| 1991 | 2.4 | 7.9 | 11.59 | 10.08 | 4.97 |
| 1992 | 2.4 | 5.1 | 9.73 | 8.09 | 4.91 |
| 1993 | 4.2 | 3.5 | 5.98 | 7.40 | 4.01 |
| 1994 | 8.4 | 5.0 | 5.57 | 8.01 | 3.94 |
| 4th qtr.1994 | 7.1 | 4.4 | 6.18 | 6.60 | 4.17 |
| 1st qtr.1995 | 6.8 | 4.9 | 6.73 | 8.60 | 4.28 |
| 2nd qtr.1995 | 6.0 | 6.3 | 6.76 | 6.12 | 4.21 |
| 3rd qtr.1995 | 5.8 | 6.2 | 6.87 | 8.09 | 4.08 |
| November 1994 | 7.2 | 4.5 | 6.13 | 8.58 | 4.12 |
| December | 6.8 | 4.8 | 6.46 | 8.53 | 4.23 |
| January 1995 | 8.6 | 4.8 | 6.64 | 8.66 | 4.23 |
| February | 8.2 | 4.7 | 6.80 | 8.60 | 4.24 |
| March | 7.0 | 5.5 | 6.74 | 8.54 | 4.36 |
| April | 8.3 | 5.8 | 6.76 | 8.38 | 4.27 |
| May | 5.9 | 6.4 | 6.79 | 8.13 | 4.19 |
| June | 5.7 | 6.8 | 6.73 | 8.09 | 4.17 |
| July | 5.7 | 8.0 | 6.88 | 8.23 | 4.11 |
| August | 6.1 | 6.4 | 6.88 | 8.10 | 4.07 |
| September | 5.5 | 6.2 | 8.83 | 7.92 | 4.06 |
| October | 5.2 | | 8.61 | 8.09 | 4.04 |

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

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Apec package for visitors and importers

# Japan planning to cut business red tape

By William Dawkins in Tokyo

Japan is preparing to reduce red tape for business travellers and imports of manufactured goods, to deregulation proposals to be presented at next week's summit of 18 Pacific rim leaders.

Japan, this year's chairman of the Asia Pacific Economic Co-operation Forum, has drawn up the 37-point package as its initial contribution to Apec's ambitious plan to promote free trade throughout the region by 2020.

Japan's summit offering includes simpler visa procedures for businessmen, and less red tape for obtaining country-of-origin certificates for imported goods, plus commercial customs clearance at weekends, said officials. Less stringent reporting requirements for Japanese Industrial Standard quality certificates and simpler rules on chemical traces in imported livestock and seafood are also included in a draft of the plan.

This is among the so-called initial actions which Apec members have agreed to bring to their meeting in Osaka next week, to launch their free trade programme.

Japanese officials hope their deregulation package will be accepted as a commitment to free trade, and perhaps deflect Japan's embarrassment at being unable to guarantee to open its rice market by 2010, the biggest unresolved issue in the run-up to the summit.

The outcome of attempts to resolve resistance to free farm trade, which is shared by three other Asian governments, will influence other sensitive sectors.

Special treatment for Asian farmers could invite a host of other industries to demand special treatment.

Attempts to resolve the rice problem were set back yesterday when officials of the three parties in Japan's coalition government said they planned to issue a joint statement calling for agriculture to be exempted from the Apec free trade plan.

Farm trade liberalisation should be handled by the World Trade Organisation – due to review the rice market in 2001 – rather than by Apec, said one party official.

# Minister orders KFC's Delhi licence revoked

By Shiraz Sidhva in New Delhi

Delhi's chief minister yesterday ordered the Municipal Corporation of Delhi to revoke the licence of the New Delhi outlet of KFC – formerly Kentucky Fried Chicken – on the grounds that the chicken contained a potentially harmful additive.

"The Municipal Corporation of Delhi Commissioner has also been asked not to grant any licence for any other branch of the KFC," the stata government said.

Delhi's chief minister, Mr Madan Lal Khurana, heads a government led by the Hindu nationalist Bharatiya Janata party (BJP), which has links with Swadeshi Jagran Manch (National Awakening Forum). The forum is leading a campaign against foreign companies, particularly KFC and Pepsi-Cola, both part of the US-owned Pepsico group.

The directive comes less than a week after KFC's outlet in Bangalore had to close for a day when thousands of farmers held a rally against multinationals in India and threatened to target KFC. The same group burnt down a building belonging to Cargill Seeds near Bangalore two years ago.

KFC's Bangalore outlet faced closure after local municipal authorities said they found harmful ingredients in its samples, KFC, which denied the charges, sought legal redress and re-opened its restaurant after a court stayed the move.

KFC's new outlet in the capital was doing brisk business last night and customers were unaware of any dispute. "We haven't heard anything from the government, so we have no reason to close down," said Mr Sandeep Kohli, managing director of KFC's Indian operations. "Our licence is valid, and our product remains the safest and best chicken available to the consumer."

Mr Kohli said the chicken served to India was the same as that consumed by 7m people daily in 78 countries, and the ingredient cited as harmful, sodium aluminium phosphate, was a common leavening agent.

"We are disappointed by these unfortunate developments," said Mr Kohli. "But we have a viable and legitimate business in India, and we know our product is good."

The government's action may deter other chains waiting to enter India, including Dunkin' Donuts, McDonald's, Domino's Pizza, and Pizza Hut, also owned by Pepsico. "Pepsico is committed to investing $80m in India in seven years, with no repatriation of dividends for this period, as the company expects a stable business and legal environment in India," said Mr Kohli.

# Taiwan to China direct – without losing face

## Taipei has found a formula to bypass its ban on flights across the strait, writes Laura Tyson

Taiwan has agreed to allow two Chinese-controlled airlines to fly between China and Taiwan.

The move brings Taipei a step closer to lifting a ban on direct flights across the Taiwan Strait imposed at the end of China's civil war in 1949. Trips by Taiwanese businessmen and tourists to China have risen sharply since the late 1980s but all must pass through a third country, usually Hong Kong.

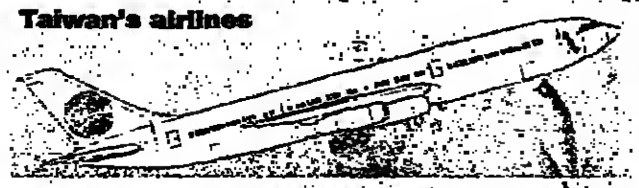
The government sidestepped the ban by declaring that Hong Kong and Macao, once returned to Chinese rula in 1997 and 1999 respectively, will be special territories and that carriers registered there will be treated as foreign carriers.

Under a draft accord signed recently, Hong Kong-based Dragon Air, 46 per cent owned by Chinese entities, and Air Macau, based in the Portuguese enclave and 51 per cent owned by mainland interests, will be able to fly from Taiwan to points in China via their respective home airports. For the first time, passengers need not change flights, but in a lone concession to the long-standing moratorium on direct flights, the flight number must be changed mid-route.

A number of Taiwanese carriers will have to wait a while before they can get a part of the fast-growing market. Taiwan has 10 carriers, nearly all formed in the last few years, preparing for a share of the rise in passenger traffic once the ban is rescinded. Just three have received approval to fly scheduled international routes, so competition in the domestic market is intense.

"Taiwan is a small island with only 21m people," said Mr Nieh Kuo-wei, a spokesman for Eva Airways, Taiwan's leading private carrier, controlled by the Evergreen shipping group.

**Taiwan's airlines**



| Carrier | Owners/shareholders |
|---|---|
| China Airlines (CAL) | Taiwan government (listed) |
| Eva Airways | Evergreen group (shipping) |
| TransAsia Airways | Goldsun group (construction) |
| Mandarin Airways | China Airlines |
| Makung Airlines | Eva Airways |
| Far East Air Transport | China Development Corp (Kuomintang); AIG |
| Great China Airlines | Mr Teng Chen, chairman (runs BMW Taiwan); Eva 20% stake |
| Formosa Airlines | Mr Kao Kuo-Hsiung, chairman; ADI group (electronics) |
| Taiwan Airlines | Mr Wu Wen-Hsiung, chairman Taiwan Airlines |
| U-Land Airlines | Jui-lien group (construction) |

Source: FT

"This is really not a big market, and we have so many airlines. It's no surprise that the smaller carriers change owners so often. Everybody is just trying to survive in this market and wait for direct flights to China."

Founded five years ago, Eva entered the domestic market a year ago and is expected to be awarded permission soon to add Hong Kong to its network of international destinations.

The latest entrant toto the island's crowded airlines todustry is the reassuringly named U-Land Airlines, controlled by the Jui-lian group, a construction concern which took over China Asia Airlines and renamed it. U-Land is awaiting delivery of the first of six newly purchased McDonnell-Douglas MD-80 aircraft this month and expects to begin domestic flights in December.

In spite of the number of competitors, Mr David Tseng, vice president of U-Land, believes there is plenty of business to go around in the domestic market, given the woefully congested state of ground transport. "Taiwan's traffic is so horrible... everybody is taking airplanes now because it is faster, easier and more convenient," he said.

According to the ministry of transportation, passenger volume on domestic routes rose from 5m in 1986 to 23m in 1994. The market is growing by about 10 per cent a year with an average load factor of more than 60 per cent.

TransAsia Airways, owned by the Goldsun group, a construction concern, is keen to win its second international route to Macao under the new accord. Ms Catherine Li, a spokesman, said the Macao route would be a boon to TransAsia's business. "Now Taiwanese travelling to China will have the option of going through Macao as well as Hong Kong. We see a big market there," she said.

Suffering from financial difficulties, smaller carriers have been forced to seek stronger partners or sell out entirely. Far East Air Transport, founded by the Far Eastern Group, was recently taken over by China Development (CDC), a merchant bank run by Taiwan's ruling Kuomintang. American International Group (AIG), the US insurance concern, holds a 28 per cent stake in the carrier, which has thus far been confined to the domestic market, apart from charter flights overseas, but plans to begin scheduled international flights soon. China Airlines, Taiwan'a national carrier, also holds a 10 per cent stake.

Depending on how long it is before the opening of direct flights to China, there are likely to be more management changes in Taiwan's airline industry.

WORLD TRADE NEWS DIGEST

# Malaysian deals for Renault

Renault, the French state-owned vehicle group, yesterday announced agreements for the manufacture under licence of a commercial vehicle in Malaysia and a distribution accord aimed at strengthening its presence in the country. Renault will license the production of a light commercial vehicle, based on its Trafic model, by Inokom. The Malaysian company is wholly owned by Berjaya, one of the country's biggest business groups.

Renault has also reached agreement with the Quasar Carriage company to market and distribute its vehicles in Malaysia. The models, some of which will be assembled locally by Inokom, have not yet been announced. According to Renault, the deals reflect its strategy of reinforcing its position in south-east Asia. The Malaysian market is one of the fastest growing in the region, reaching sales of 146,000 passenger cars and 36,000 light commercial vehicles last year. Renault said car and LCV sales in Malaysia were forecast to reach 300,000 units by the year 2000.

The agreement with Inokom, aimed at achieving production of 5,000 units a year, is part of the Malaysian National Commercial Vehicle Project to develop domestic vehicle manufacturing. *John Ridding, Paris*

## China plans own Internet

China's Ministry of Posts and Telecommunications has signed a contract with two companies to build an international computer link network called Chinanet with the aim of becoming one of the world's largest Internet systems. The ministry signed the deal with its affiliate CTC Communications Development and Asiainfo Computer Network, a US-funded company, for a nationwide network that will have 31 nodes to provide long-distance and high-speed internet services. Chinanet will have three high-speed international links and is expected to end congestion between Chinese users and international links. The project, scheduled for completion in June 1996, will offer automatic national roaming with a Chinese interface. China has established five international links to the Internet since its launch in May 1994. *Reuter, Beijing*

## Contracts and ventures

■ The Indian government has approved a plan by the UK-based Hinduja group and Lufthansa Cargo to set up an independent cargo airline based in India. Ashok Leyland, the Madras-based flagship company of the Hinduja group, will promote the joint veoture, a 60:40 equity participation from the Hinduja group and Lufthansa Cargo respectively. In the first phase, Lufthansa Cargo's existing freighter concern will operate between Delhi, Bombay, Madras, Bangalore, Calcutta, and the airline's hub in Sharjah. *Shiraz Sidhva, New Delhi*

■ French shipbuilder Constructions Mecaniques de Normandie has signed a memorandum of understanding to supply the Indonesian government with an ocean survey ship, worth around $50m. The ship will be the fifth ocean survey vessel CMN has built for Indonesia. The ship will be designed to perform primarily hydrographic investigations and other missions such as geological, geophysic and geotechnic research. *Chris Tighe*

■ Australia and Malta are to open negotiations on an air services agreement which would allow scheduled direct air links between the two countries for the first time. Maltese-Australians are a significant ethnic group, notably in parts of Melbourne and Queensland. *Nikki Tait, Sydney*

# Komatsu English factory to sell excavators in Japan

Peter Marsh in London

The UK manufacturing division of Komatsu, the big Japanese construction machinery maker, is to design the company's first excavator for worldwide sale that will be made entirely outside Japan.

The mid-range 15-tonne machine being designed at Birtley in north-east England will be available from around the end of next year.

Customers in Japan who wish to buy the machine will be sold excavators made either at Birtley or from Komatsu factories in the US. It will be the first time this has happened.

The design of the new excavator comes after several years in which the company's British factory – which started up nine years ago – has gradually built up its design capabilities and now employs 40 people in this function.

The British factory has been given responsibility before for designing excavators for production around the world. But this is the first time the Japanese parent has been sufficiently confident that the British and US factories have the resources to make the products for sale in Japan.

The development is significant because many European subsidiaries of Japanese manufacturing companies have relatively little freedom over design and development. Most make products according to blueprints originating in Japan.

Komatsu has decided to capitalise on design ideas from its operations around the world while pushing more production to its plants outside Japan because of the high yen.

Mr Keith Tipping, managing director of Komatsu's UK operations, said production of the new machine – a replacement for an existing excavator designed in Japan – would open up e "substantial market".

He hoped the Birtley plant – which employs about 400 people and will make about 1,700 excavators worth £100m this year – would gain further design and development responsibilities.

Komatsu recently told its managers in Europe and the US that the British operation would be free to tender for orders in the Middle East and former Communist bloc that had always been met before from Japan.

Mr Tipping said this "free-for-all" held out useful growth potential for the English factory. But he doubted whether sales for the British factory in these areas would exceed more than about 5 per cent of its output in the next few years.

# Sony and Sega report big sales

By Alice Rawsthorn in London

Sony, the Japanese consumer electronics company, claims its PlayStation is the fastest-selling video games system ever launched in the UK, after 50,000 units were sold in five weeks.

The PlayStation is one of the new generation of 32-bit systems which are faster and more graphic than 16-bit units and have more power than many personal computers. The machine sold out in some UK stores within days of its launch in late September.

Sega, the Japanese games specialist, claimed to have sold 50,000 of its Saturn games systems, another 32-bit format and the PlayStation's chief competitor, on a wholesale basis since its introduction to the UK during the summer.

Sega said it could not assess how many of those had since been sold to consumers. But the company claimed to have seen a "significant increase" in Saturn sales in the two weeks since it cut the price from £399 to £299 ($472), the same price as the PlayStation.

Video games, one of the most dynamic consumer product sectors of the 1980s, have lost momentum over the past two years as games huffs awaited the introduction of the 32-bit systems.

Sega claimed an early lead against Sony by launching the Saturn in north America and much of Europe during the summer.

Sony now claims to have recovered lost ground, with the PlayStation overtaking the Saturn in sales.

Sony expects to have sold 2m PlayStation units in Japan by the end of this year. It also claims to have sold 300,000 units in north America and 200,000 in Europe since early autumn. Sega's sales estimates for the Saturn are more modest at 1.5m for Japan and 100,000 for Europe.

But the real battle between the two companies will be over software, which tends to be more profitable than hardware.

# Prime minister is humbled in vote on 'sleaze'

Leaders of the government suffered a sensational reverse in the House of Commons last night as a Labour party motion forcing MPs to disclose their outside earnings was approved by 51 votes, our Westminster Correspondent writes.

*The size of the majority* exceeded the most optimistic predictions of Labour business managers and dealt a heavy blow to the authority of the prime minister, who had made clear his and the government's opposition to declaration of payments.

The Commons also voted, almost unanimously, for a raft of changes set down by an all-party committee of the House on the recommendations of the Nolan committee into standards in public life.

These will prevent MPs from initiating any parliamentary proceedings in the interests of clients who pay them for their services.

Other changes include the appointment of an outside commissioner for standards to monitor MPs' behaviour, establishment of a new committee on standards and privileges and creation of a new code of conduct.

MPs will have until March 31 next year to lodge with the commissioner any contract pertaining to advice they may give a commercial client. This will now include disclosure of the amounts paid, in bands of £5,000, as advocated by the Labour party. Triumphant Labour MPs said the result showed that a number of Conservatives bad taken heed of public disquiet at the ethical standards of the House and were willing to defy the government to restore public confidence in Parliament.

The vote on Labour's first amendment, by 322 votes to 271, *came* at the *end of a tense* three-hour debate during which business managers of both major parties had forecast that the result would be too close to call. In the end, all the amendments put to the House were emphatically passed.

A further demand by Labour that the information on MPs' pay to be given to the commissioner be made available to the public was approved by a majority of 123.

Many Conservatives admitted that weekend consultations with supporters in their constituencies had swung the balance. Most of them chose to abstain rather than being seen to vote with Labour.

The debate was the third on the proposals of the Nolan committee since it published its report last May.

Although less acrimonious and slightly more considered than the two preceding debates, several Tory MPs, led by the former prime minister, Sir Edward Heath, denounced much of what Nolan stood for. By pushing the changes, Labour was advocating the politics of "envy and hatred," Sir Edward said.

**Poll of business opinion** Most companies say they have benefited from single market

# Implementation of EU law 'over-zealous'

By Michael Cassell, Business Correspondent

A third of British companies believe long-established trade barriers still exist within the European single market, says a survey published yesterday by the Confederation of British Industry and the British Chambers of Commerce, two of the countries biggest business lobby groups.

The survey was conducted among 5,000 companies by the Mori polling organisation and is claimed to be the largest survey of UK business opinion on European issues. It shows that nine out of 10 businesses believe the UK's future must lie within the EU. Only 7 per cent of respondents believe withdrawal remains a preferable option.

More than half of companies say the single market has brought improved business opportunities within the EU and more than two-thirds believe that membership has significantly improved the chances of raising corporate investment programmes in the UK. But the survey also highlights continuing concern that some of the issnes most directly affecting business have been neglected as the broader political debate over the future of Europe has been stepped up.

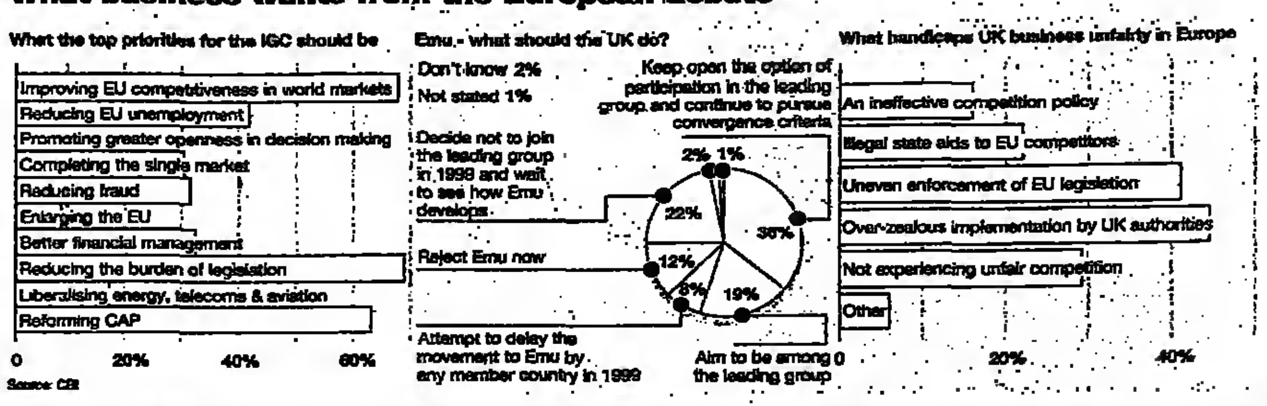
About two-thirds of companies report that they have experienced at least one form of unfair competition within the EU, with two-in-five citing "over-zealous" implementation of EU legislation by UK authorities as the biggest cause for complaint. A similar percentage claim to have experienced the uneven enforcement of EU legislation by other member states.

With next year's EU intergovernmental conference approaching, about 70 per cent of companies said they knew little or nothing about the conference. But the poll clearly reveals the issues which UK business believes should be at the top of the conference agenda.

These include improving EU competitiveness in world markets, reducing the burden of legislation and reforming the common agricultural policy. Fewer than 10 per cent believe enlarging the community is a priority.

Fifty per cent of companies believe that a single European currency would be good for business as a whole, with a clear majority supporting the strategy of keeping open the options for participation in economic and monetary union.

**What business wants from the European debate**



Source: CBI

# Film complex near London will create 3,000 jobs

By Alice Rawsthorn in London

Some 3,000 jobs will be created when Third Millennium Studios opens as a film studio, leisure centre and theme park on an old airfield north of London.

The complex will be developed over the next three years by Millennium Group, a subsidiary of George Town Holdings, a Malaysian industrial concern, on a 125ha site at Leavesden near Watford.

Millennium first expressed interest in the project earlier this year and has now decided to go ahead. It has agreed to buy the site for £42.75m and will spend at least another £150m on constructing the studio and leisure complex.

The Leavesden site was once used by Rolls-Royce to manufacture aeroengines. More recently it was taken over by Eon Productions as the location for *GoldenEye*, the James Bond film which will open in the US next week. Eon built six sound stages including one converted from a hanger into the largest sound stage in Europe.

Ms Angelika Brozler, joint chief executive of Third Millennium Studios, said it was feasible for other film makers to start shooting immediately on the facilities left by the *GoldenEye* team. A number of producers had already expressed "strong interest" in filming there.

Millennium plans to invest in modernising and expanding the production facilities at Leavesden. The Third Millennium Studio will compete against the existing UK studios: Pinewood, which is owned by the Rank leisure group, and Shepperton, recently taken over by the Scott brothers, Tony and Ridley, two of the UK's most successful Hollywood film directors.

A business park will be built next to the studio to house companies involved with the films made at Third Millennium together with related media and entertainment business. The theme park is likely to be linked to James Bond films.

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# Car sales rise fails to cheer industry

By John Griffiths in London

Registrations of new cars rose sharply in Britain last month for the first time this year, but the increase did little to lift the gloom of manufacturers and dealers. Statistics from the Society of Motor Manufacturers and Traders, published yesterday, show that registrations of new cars totalled 136,605 last month, a rise of 11.5 per cent on October last year.

This lifted registrations for the first 10 months of this year to 1,730,771, up 1.16 per cent on the comparable period of 1994. Even if the improvement were sustained in the final two months of the year, it is likely that 1995's total would still fall about 50,000 cars short of the 2m for which the industry had been hoping this time last year. "Although there *is* a modest increase in total retail sales in October 1995, the private car market shows no real signs of recovery in spite of the launch of a significant number of new models," Mr Ernie Thompson, the society's chief executive, said yesterday.

*The Retail Motor Industry* Federation, representing mainly dealers, also gave the October figures only a guarded welcome. Its policy director, Mr Neil Marshall, said the upturn was dne mainly to fleets, with private buyers still noticeably absent.

*Industry* observers *also* pointed out that the previous October was an unusually poor month for registrations, thus making last month's figures look artificially positive.

Imports took a 57.48 per cent share of last month's market, up from the previous October's 56.77 per cent. Their share for the first 10 months reached 59.62 per cent compared with 57.29 per cent at the same time a year ago.

*While both market leader* Ford and second-placed Vauxhall saw their share of the market slip a little compared with tha previous October, third-placed Rover increased its market share from 13.09 per cent to 14.54 per cent and had three models in the October list of the top 10 best-sellers. Vauxhall is the UK offshoot of General Motors.

The Motorcycle Retailers Association will soon announce that sales jumped by 13.5 per cent in October, bringing the total for the first 10 months of the year to date to 43,258 motorcycles and 5,290 mopeds – a year-on-year rise of 7.6 per cent.

"The motorcycle industry has had a rough ride in recent years, but slowly and surely things are beginning to *change*," *said Mr Kevin Kelly*, association director.

But the market is far below its peak of 315,000 units reached in 1980. It remains dominated by Japanese manufacturers, but with UK producer Triumph Motorcycles now in the top five behind Honda, Yamaha, Kawasaki and Suzuki.

**Top 10 sellers**

Number sold in UK so far this year

| | |
|---|---|
| Ford Escort | 126,205 |
| Ford Fiesta | 112,566 |
| Ford Mondeo | 108,238 |
| Vauxhall Astra | 90,234 |
| Vauxhall Cavalier | 72,640 |
| Vauxhall Corsa | 63,146 |
| Rover 200 | 59,642 |
| Peugeot 306 | 50,918 |
| Renault Clio | 48,563 |
| Rover 100 | 43,864 |

Source: SMMT

# Factory output declines steeply

By Graham Bowley, Economics Staff

Factory ontput euffered its largest fall in September for eight months as companies continued to run down their stocks of unsold goods, official figures showed yesterday.

The etatistics reawakened fears that the economy will cootinue to slow during the rest of the year as companies which overestimated demand earlier this year satisfy demand from the storeroom shelf rather than stepping up production.

They will provide ammunition for Mr Kenneth Clarke, the chancellor, with which to justify an early cut in interest rates. Some economists said they now expected a cut in rates soon after the Budget or early next year.

Mr Simon Briscoe, UK economist at Nikko Securities, said: "The case for policy easing is now clear. If the Budget is as tough as we expect, rates could be cut soon after November 28."

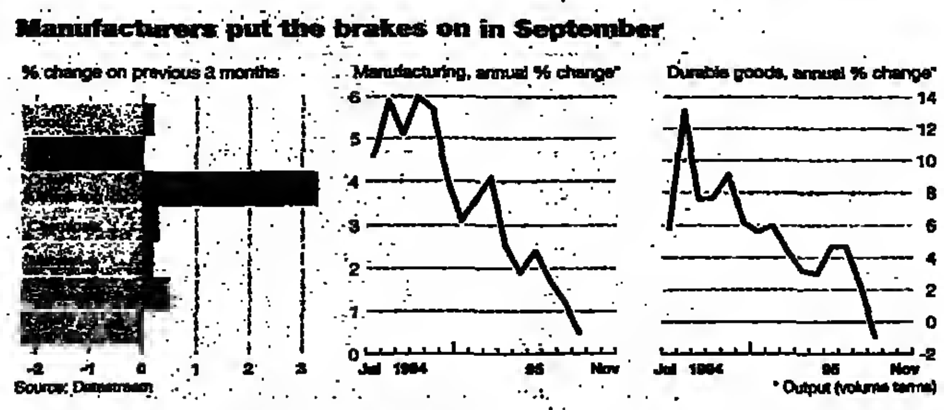
Manufacturing output fell by 0.6 per cent in September, the largest one-month fall since January, the Central Statistical Office said. The data conflicted with City of London expectations of further slow growth in manufacturing. Economists had expected output to grow by 0.2 per cent in September.

The CSO believes factory output is now rising by only ½ per cent a year on an underlying basis. This is tha lowest growth rate for almost three years, down from a peak of 5.5 per cent last autumn.

But a rebound in North Sea oil and gas extraction and a rise in energy output meant that industrial production overall grew by 0.5 per cent in September despite the drop in manufacturing.

The Treasury said the industrial production figure was close to the CSO's original forecasts, so that it would probably not revise down its original estimate of 0.5 per cent growth in total gross domestic product in the third quarter of the year.

But economists said the slowdown in growth was now likely to be longer than most had initially feared, because of a slackening in export markets, particularly the US.




# Adams urges Irish Americans to lobby UK ministers

By John Murray Brown in Dublin and agencies

Mr Gerry Adams, president of the nationalist Sinn Féin party intends to visit the US next week to ask Irish Americans to urge the British government to ahandon its demand for "decommissioning" of weapons held by the Irish Republican Army.

Mr Adams said in Belfast yesterday that officials of his party in the US were organising a visit for him to meet leading Irish Americans "to see if they can bring some influence to bear". Sinn Féin is the political wing of the IRA.

"It is my view that the British, at this point, are not seriously interested in negotiations," be said in commenting on the failure last week of talks between a British minister and Mr Martin McGuinness, president of Sinn Féin.

The British and Irish prime ministers met briefly yesterday in Jerusalem, where they were attending the funeral of Yitzhak Rabin. Government officials in the Republic of Ireland are becoming increasingly despondent about the divisions between the British government and Sinn Féin.

With President Bill Clinton due in Northern Ireland at the end of the month, there is little sign of an end to the deadlock.

"The last thing the president will want is to be the subject of a tug of war between the parties in the north," said an Irish official.

Sinn Féin last week rejected the British government's proposals for a "twin-track" approach, which envisages the creation of an international body to examine the issue of "decommissioning" of paramilitary arms and the start of talks involving all political parties in Northern Ireland. Mr Dick Spring, the Irish foreign minister, said yesterday the two governments now need to "refine" the strategy to take account of all the parties's concerns – an *apparent reference to Sinn* Féin's objections.

British officials believe Sinn Féin's hardline attitude to last week's talks may be an attempt to win concessions ahead of the Clinton visit.

NEWS DIGEST

## Customs staff catch more smugglers

Customs & Excise has intercepted 63 per cent more smuggled alcoholic drinks and tobacco products over the past year, the department said yesterday as it announced an initiative to counter the illegal activity. A total of 3,446 incidents was detected in the year to August involving goods which should have earned £4.1m ($6.5m) in tobacco duties and £3.1m in alcohol duties. Almost all prosecutions were successful, resulting in £439,353 in fines for 529 people, of whom 17 were also imprisoned. In 1993 customs detected 1,265 smuggling incidents and in 1994 2,750. Customs will work with bodies representing beer, wine, and spirits producers, pnb owners, retailers, vehicle renters and other groups in the Excise Alliance to improve ways to fight smuggling.

*Roderick Oram, Consumer Industries Editor*

## Walk-out at Heathrow disrupts flights

A walk-out yesterday by British Airways staff at London Heathrow's Terminal One forced the cancellation of 36 scheduled domestic and short-haul European flights and average delays of 90 minutes for the rest. The staff were protesting at BA's decision to employ 24 students at weekends to help passengers with language difficulties. A BA spokesman said talks were trying to and resolve the dispute, which does not have the backing of any trade union. *Robert Taylor, Employment Editor*

US link for BA, Page 23

## Company advertises pirate card for TV channel

A Spanish company is claiming to have produced an illicit version of British Sky Broadcasting's latest subscription card introduced only last month. The Spanish company has been edvertising e pirate card oo the teletext service of NBC Superchannel,the satellite television service. BSkyB is clearly eware of the advertisement by Heaven Electronics but it is not clear whether the illicit card works. BSkyB has sued pirates in the past for selling illicit subscription cards which are the beart of the satellite venture'e business. Mr Rupert Murdoch's media conglomerate holds the biggest stake in BSkyB. *Raymond Snoddy, Consumer Industries Staff*

## Insurance against terrorism is given boost

Further signs that a competitive market is emerging for insuring UK mainland commercial property against terrorist ettacks were seen yesterday when brokers noveiled an improved alternative to existing government-backed policies. The scheme, launched by some of the world's biggest insurance brokers, should reduce reliance on Pool Re, the government-backed terrorism "reinsurer" set up when such cover was withdrawn by the main reinsurance companies in 1993.

Reinsurers protect conventional insurers against big losses. The collapse in the terrorism reinsurance market following Irish Republican Army bomb attacks on the City of London had an effect on conventional insurers. Without Pool Re it would have been difficult for companies to buy sufficient iosurance against further attacks. More recently, many commercial insurance buyers have complained that the terms set by Pool Re and passed on by insurers are inflexible and expensive. Following the IRA ceasefire last year a limited alternative market opened, backed by insurance syndicates at Lloyd's of London and without Pool Re, but it only offered up to £25m worth of cover. Under the new scheme the amouot of cover will rise to £100m, increasing its attraction to companies with big offices in London.

*Ralph Atkins, Insurance Correspondent*

## Packaging groups warn over recycling rules

A row has erupted between branches of UK industry over a proposed plan to meet European Union targets for recovering and recycling packaging waste. Packaging and raw materials producers warn that changes made by the Department of the Environment to an industry plan agreed this summer could lead to administrative costs of almost £1bn ($1.57bn) a year, and put smaller companies out of business.

Compaoies including Rexam (formerly Bowater), Britain's biggest packaging group, Imperial Chemical Industries and British Petroleum oppose the new plao. They say the modifications have shattered this summer's delicate agreement between the four sectors of the packaging chain - raw materials groups, packaging makers, consumer goods companies and retailers. But many retailers and "packer-fillers", including Unilever, Nestle, Coca-Cola Schweppes Beverages, J Sainsbury, and Boots, support the modified plan. Industry has until the end of this week to submit responses.

*Neil Buckley, Consumer Industries Staff*

## Women gain ground in regional workforces

Women are outnumbering men in the workforce in an increasing number of UK regions, says a report released today. The report by Incomes Data Services, the employment research and informatioo specialist, shows a total of 25 counties and Scottish regions with more women than men in work. There were only 11 such areas in 1991. The report is based on figures from the September 1993 Census of Employment, carried out by the Central Statistical Office.

*The* areas with more women at work than men are mainly in the south-east and south-west of England, south Wales and central Scotland. East Sussex has the highest proportioo of female employees at 54.6 per cent.

*Richard Donkin, Employment Staff*

## CONTRACTS & TENDERS

# BUSINESS AND THE LAW

## Decision on sex discrimination

EUROPEAN COURT

In a landmark decision, the European Court of Justice ruled recently that national measures, which positively discriminate in favour of women by guaranteeing them absolute and unconditional priority over men for job appointments or promotion, were contrary to European equal treatment legislation.

The case arose in the context of the recruitment by the Bremen parks department of a section manager. There were two candidates – Mr Eckhard Kalanke and Ms Heike Glissmann. It was accepted that both were equally qualified for the post.

The local Bremen law on equal treatment stipulated that in such a case, priority should be given to women if they were under represented. Female under-representation arose where women did not constitute at least half of the staff in the individual pay, remuneration and salary brackets in the relevant personnel group within e department.

The parks department put forward Mr Kalanke. However, the proposal was not accepted. The metter went to arbitration and then to conciliation and in a decision binding on the parks department, it was held that under the Bremen law as the two candidates were equally qualified, Ms Glissmann should be offered it.

Mr Kalanke appealed to the local labour court. He argued the Bremen law was contrary to the German Basic Law and the Civil Code. Having lost in the local and regional labour courts he appealed to the federal labour court.

Thet court said the resolution of the dispute depended essentially on the applicability of the Bremen law. If it were wrong to apply that law, then the promotion of Ms Glissmann would be unlawful, because she would have been given an advantage purely on the basis of her sex.

However, the federal labour court found that the Bremen law did not set strict quotas for women by reserving a certain proportion of "female" posts regardless of qualifications.

Rather, the system was based on candidates' abilities. Women enjoyed no priority unless candidates of both sexes were equally qualified. It also ruled that the Bremen law did not breach the German Basic Law or Civil Code.

But, because it was unclear whether the Bremen law was compatible with European equal treatment legislation, the matter was referred to the European Court of Justice.

In its reference, the German court pointed out that the Bremen law could help to overcome the disadvantages which women currently faced and it cited figures illustrating the low proportion of women in higher career brackets among city employees in Bremen.

The European Court found first that the European equal treatment legislation defined the principle of equal treatment as meaning that there should be no discrimination whatsoever on grounds of sex. Clearly, national rules such as those in force in Bremen involved discrimination.

However, the European legislation specifically stated that its provisions were without prejudice to measures promoting equal opportunity and in particular the removal of existing inequalities affecting women.

The Court found thet this provision permitted national measures, relating to access to jobs, which gave a specific edvantage to women with a view to improving their ability to compete on the labour market and to pursne a career on an equal footing.

Nevertheless, derogations such as this had to be interpreted strictly and on such an interpretation, the Court said that national rules which guaranteed women absolute and unconditional priority for appointment or promotion went beyond promoting equal opportunities as allowed by the equal treatment directive.

Furthermore, insofar as the national law in question sought to achieve equal representation of men and women in all grades and levels within a given department, the Court found that the national law substituted the end for the means, by providing for the result of equal opportunity rather than ensuring the existence of the principle of equality of opportunity.

*C-450/93: Kalanke v Freie Hansestadt Bremen, ECJ FC, October 17 1995.*

BRICK COURT CHAMBERS, BRUSSELS

## A ride on the global money-go-round

**Robert Rice** on the complex detective work by a London law firm which recovered the Salvation Army's funds

The announcement last week by the Salvation Army, one of the UK's biggest charities, that it has recovered all of the \$8.8m lost in 1992 in an international fraud; together with \$4.9m in interest and recovery costs, marked the end of one of the most complex asset tracing and recovery operations of recent years.

By the time news of the fraud was made public by the Army on February 16 1993, Slaughter and May, its solicitors, had been working around the clock for several weeks to get the money back.

Secrecy was vital, not only to the Army, which feared adverse publicity, but to prevent the alleged fraudsters, Mr Stuart Ford, a Birmingham businessman; and Mr Gamil Naguib, his Egyptian-born Canadian associate, taking further steps to hide the money or destroy information about its whereabouts.

In May 1992 the Army had been induced by fraudulent representations to transfer \$10m to the ASLK-CGER Bank in Antwerp, Belgium for potential investment in standby letters of credit and prime bank instruments which the alleged fraudsters said could be bought at e discount and sold at a guaranteed profit. No market in such instruments existed.

At this stage the Army still had control over the money. But in June 1992, Mr Ford, who was one of the named signatories on the Belgian account, persuaded the army's fundraiser, Colonel Grenville Burn, to transfer \$8.8m of the money to Banque Continentale dn Luxembourg. Over the next 12 weeks most of the \$8.8m was transferred out of the BCL account by Mr Ford and Mr Naguib.

Just \$523,000 remained in the BCL eccount, which was immediately frozen after an injunction. Of the rest, records showed that \$3.3m had been transferred back to the UK, most paid into the client account of Mr Ford's solicitors, Edge & Ellison, in Birmingham. The remaining \$4.35m had been transferred through Cregem International Bank to Kansallis International Bank, both based in Luxembourg.

Returning to the UK, the Slaughter and May team, led by Mr Richard Clark, sought a court order against Edge & Ellison to force it to provide information about the money. The order it obtained was a Norwich Pharmacal order, which is used in asset tracing operations to force third parties such as banks unwittingly involved in such affairs to disclose information and documents.

The order was obtained on Friday February 5. By Sunday evening they knew what had happened to most of the \$3.3m. Much of it had been used by Mr Ford to repay personal debts, buy properties and to provide supposed loans.

Salvation Army: getting the money back

Richard Clark
Slaughter and May

- May 1992: Salvation Army persuaded to transfer \$10m to ASLK-CGER Bank inAntwerp for investment in standby letters of credit
- June 1992: Army duped into tranferring \$8.8m to Banque Continentale du Luxembourg
- October 1992: all but \$523,000 transferred out of BCL account by Ford and Naguib and lost
- January 1993: Army calls in Slaughter and May
- January–February 1993: lawyers trace \$3.3m to the UK and \$4.35m to Kansallis International Bank, Luxembourg (now Nordfinanz)
- February 16, 1993: recovery of \$3.3m under way in UK; Salvation Army goes public on the fraud
- August 1993: remaining \$4.35m traced via New York to three properties in California and to a property in the Netherlands
- May 1994: Ford loses appeal in Court of Appeal over reposession of his Birmingham home; settlement reached with Edge & Ellison
- September 1995: all settlements and recovery exercise concluded

The next step was to obtain what became known as the "jumbo order". This was a combined Anton Piller, Mareva and Norwich Pharmacal order, allowing them to search premises and seize documents and other information, freeze any assets they succeeded in tracing, and force unwitting third parties to provide information.

The plan was to raid Mr Ford's home and his business, Tilen Securities, in Birmingham; and properties belonging to Mr Naguib in London simultaneously. However, both Mr Ford and Mr Naguib had left the UK and there was no one to represent their interests to ensure thet nothing was seized which could incriminate them. Without such a safeguard Mr Clark feared the court would not grant the order.

The solution they came up with had never been tried before. They decided to ask a second law firm to carry out the raids on the sensitive premises, ring-fence any documents found, take advice from counsel and then, only if they were satisfied that the information was not incriminating, hand it over to Slaughter and May.

The jumbo order was granted on the Monday and on Tuesday morning the raids took place. Information was phoned back to a control room in London as soon as it was discovered so that the London team could begin serving Mareva notifications on banks to freeze any Army money which they still held.

This was the most delicate stage of the operation, according to Mr Clark. "Once the money begins to disperse it spreads like a virus," he says. "You end up chasing very small amounts which it becomes uneconomic to try and recover."

On one occasion lawyers in London were on the phone to a bank instructing the manager to freeze a specific account while an associate of Mr Ford'a was at the counter trying to draw the money out.

By the end of the week Slaughters had identified all the UK assets. On tha following Monday writs were issued and on Tuesday, February 16 the Salvation Army went public with the story.

With proceedings under way to recover the money in the UK, Slaughters turned their attention to the \$4.35m in Luxembourg. Using Norwich Pharmacal orders to get foreign banks to divulge information was more tricky, however, because such orders are not enforceable against banks outsida the jurisdiction of the UK courts. But with little choice they served a notice on Kansallis – and the bank complied.

In one of the biggest ironies of the affair, the Kansallis information showed that the \$4.35m had been placed under the control of associates of Mr Naguib, who in turn had been tricked into an ill-fated attempt to buy a similar phoney \$5m prime bank instrument at a discount by Mr Harold Glantz of New York, and his Dutch partner, Mr Guido Haak.

Mr Glantz and Mr Haak had moved the money backwards and forwards across the world about 20 times in an attempt to cover their tracks. Eventually, however, using a combination of Norwich Pharmacal orders and gentle persuasion with each bank in the chain, Mr Clark's team traced just over \$3m to bank accounts in the US, and just over \$1m to banks in the Netherlands.

With the co-operation of the Dutch police, tha US Federal Bureau of Investigation and the US Securities and Exchange Commission, the money was traced to three properties in California and one in the Netherlands.

Brobeck Phleger & Harrison, a San Francisco law firm, was instructed to commence proceedings in California to disentangle the Army's money from the three properties. De Brauw, a Dutch firm, was instructed to commence proceedings to recover the money in the Netherlands.

Mr Clark and his team were free to turn their attention to negotiating settlements with those banks and law firms which bore some legal or moral responsibility for the whole affair.

Slaughter and May will not disclose the final amounts of any settlements because of confidentiality clauses negotiated as part of each deal. But when all the properties had been sold in the UK, US and the Netherlands, the amount recovered from the alleged fraudsters is believed to have been only about half the final total of \$13.7m obtained by Slaughters. Edge & Ellison settled for what is believed to be a substantial six-figure sum without admitting liability after Slaughters sued it alleging "knowing assistance" in the wrongdoing, and substantial settlements were reached with several banks.

Mr Clark says the settlement discussions were some of the hardest he has ever taken part in. Some lasted more than a year and the average negotiation took 10 months. The fact they were negotiating on behalf of a charity cut little ice with the banks, he says.

"I'm not aware of another case where full recovery with interest and costs has been achieved," says Mr Clark. But he admits they had some luck along the way.

The fact that Mr Glantz thought he was stealing from Mr Naguib, who would have neither the resources nor the ability to track the money down, meant he took no steps to dispose of the US properties after the story broke in February 1993.

Mr Glantz is now in custody in New York awaiting extradition to the Netherlands on embezzlement charges. He has also been charged with separate financial crimes in the US unconnected with the Salvation Army. Mr Haak has been jailed for embezzlement in this case in the Netherlands. No criminal charges have been brought against Mr Ford or Mr Naguib, although Scotland Yard is continuing investigations into the case and a report has been sent to the Crown Prosecution Service. Mr Naguib is believed to be living in Vancouver, Canada.



هكذا من الأصل

# PEOPLE

## Lowes rises at GrandMet

Robert Lowes has added the title of chairman to his role as chief executive of Burger King, the Grand Metropolitan fast food subsidiary. He replaces David Nash, who is leaving the group after losing out to John McGrath in the succession to George Bull as GrandMet chief executive. Lowes will also join the GrandMet board.

In a series of other internal moves, Tom Mueller, a 20-year veteran with the company, becomes Burger King's senior vice president, north American operations. David Baney is appointed to the new post of vice president, business development, with a remit to expand non-traditional outlets such as petrol stations, airports and stadiums. Craig Bushey becomes managing director, western Europe. And Colt Hotborn is to take charge of the rest of Europe and international development.

## Kogan to head Schering

Schering-Plough, the US healthcare company, has confirmed the promotion of Richard Kogan, 54, from chief operating officer to chief executive officer, effective from January 1, 1996. He will take over from Robert Luciano, who said in April that he planned to name him as his successor and will continue as chairman. Kogan, 54, has been chief operating officer since 1986, and a member of the board since 1982. Luciano, 62, has been Schering-Plough's ceo since 1982 and chairman since 1984. *Daniel Green*

## Handover at Equifax

Daniel McGlaughlin (left), 59, is to become only the ninth chief executive in the 96-year history of Equifax, the US-based company whose core business is the worldwide handling of database services. McGlaughlin, who has been president and chief operating officer since January 1993, steps into the top job on January 1, when he replaces the retiring Jack Rogers, who is 66. Rogers, who has been chief executive since 1989 and chairman since since 1992, is credited within the company as having steered it from being a national credit reporting agency into a global organisation. He will remain chairman of Equifax's main board of directors and its executive committee. *Gary Mead*

## Sydney move for Cicutto

National Australia Bank Group is recalling Frank Cicutto, currently chief executive of its Scottish subsidiary Clydesdale Bank, to Sydney, to be chief general manager of National Australia Bank, its principal subsidiary, from March 1996. Cicutto, 44, took the helm of the Glasgow-based Clydesdale in January 1994 after the sudden death of Charles Love, and was the first Australian to be chief executive of Clydesdale. He will be replaced by Fred Goodwin, 36, who joined only in April in the new post of deputy chief executive, created in anticipation of Cicutto's probable early departure. Graeme Willis, general manager projects at Clydesdale, will become general manager banking when Goodwin moves up. *James Buxton*

## Seagram à la mode

Seagram, the international drinks giant, is getting more hsavily involved in the fashion business. American Judith Monson (left), who has spent over 20 years on Seagram's finance side, has been appointed general manager of Hervé Leger, a young Paris fashion house backed by Seagram.

Hervé Leger, founded by one of the younger talents of French fashion, sells its couture and deluxe ready-to-wear collections through a chain of over 140 boutiques and speciality stores. Seagram got involved in 1992 when G.H.Mumm & Cie, part of Seagram Global Brands Division (SGBD), set up a joint venture to expand Leger's line.

Harvard-educated Monson, SGBD's senior vice president finance, will be responsible for managing the organisation and developing the company, leaving Hervé Leger, who has run the company for 10 years, free to concentrate on design. She will report to Hubert Millet, president of SGBD, and is replaced by Christian Lacroix, a former SGBD finance director. *William Hall*

## ON THE MOVE

■ Daniel Zuberbühler, 47, currently deputy director, is to replace Kurt Hauri, 59, as executive head of the Swiss Federal Banking Commission, with effect from January 1. Hauri becomes commission president, replacing Silvio de Capitani who is retiring.

Hans Meyer, one of the three directors of the Swiss National Bank, has meanwhile been named successor to central bank head Markus Lusser, who is retiring with fellow director Jean Zwahlen on May 1 next year. Two new members have been eppointed. They are Jean-Pierre Roth, since 1986 head of monetary operations et the SNB, and Bruno Gehrig, formerly chief executive at Zurich's Bank Centrade and currently professor at the economics university in St. Gallen.

■ Gateway 2000, the US-based personal computers direct sales group, has promoted three vice presidents to senior vice president, and created a new vice president position. Jim Collas becomes senior vice president of global products; Bob Spears, senior vice president of the Americas group; and Bill Elliott, senior vice president, general counsel and secretary. Joe Burke joins Gateway from Blockbuster Entertainment Corporation as the new vice president of market development.

■ Pengiran Haji Bahrin has been named as the new chairman of Royal Brunei Airlines. Currently the country's minister of law and attorney general, and chairman of the Islamic Bank of Brunei, he succeeds HRH Prince Haji Jefri Bolkiah.

■ Jose Domingo Ampuero Osma, 46, and Gervasio Collar Zabaleta, 54, have been made non-executive vice chairman of Banco Bilbao Vizcaya. Alfonso Cortina, president of Portland Valderrivas and a BBV shareholder, has been appointed one of 21 non-executive board members.

■ Arvid Gierow has stepped down as managing director of Swedish cold storage group Frigoscandia, following the successful bid for the company by ASG, the Swedish transport company.

■ Robert Weiler, who recently stepped down as a senior vice president at Lotus (now part of the IBM group) has joined rival computer group Wang Laboratories as senior vice president and president of its software business. Weiler, who had worldwide responsibility for Lotus's desktop business unit, was widely acknowledged as one of the driving forces behind the success of Lotus Notes.

■ Alberto Bertali managing director of Candy UK, is taking on the same responsibility for Hoover European Appliance Group, which was acquired by the Italian white goods manufacturer in May. Despite his dual role, however, Candy has said there are no plans to merge the companies.

■ James Woolsey, 54, until recently director of central intelligence for the US government, and s partner in the law firm of Shea & Gardner, has joined the nine-member board of Sun Healthcare Group.

■ Heinz Beldi, chairman of Beldi & Cie, investment bankers, joins the board of the Singer Company, and will serve on the audit committee.

■ Jack Frazee has been appointed chairman of Budget Rent a Car. He was previously vice chairman, finance & treasury operations with First Nationwide Bank.

■ David Hentachel, already a board member, has been elected executive vice chairman of Canadian Occidental Petroleum, based in Calgary. Bernard Isautier, chief executive and president, will report to him.

■ David Maffucci, 44, rises to senior vice president and chief financial officer of Bowater Inc.

■ Ian Howat becomes vice president, general manager strategy and planning for Total. He, Jean-Claude Company and Pierre Proust join the management committee.

**International appointments**

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.



CONTRACT & TENDERS

BRAZILIAN AIR MINISTRY

INTERNATIONAL TENDER No 001/DIRMA/95

| | |
|---|---|
| SUBJECT: | FUSELAGE AND WINGS ACQUISITION COMPATIBLE WITH THE MIRAGE III AIRCRAFT OF THE BRAZILIAN AIR FORCE FLEET. |
| TYPE OF TENDER: | TECHNICAL AND PRICE |
| NOTICE: | THE TENDER DOCUMENTS AND ANY NOTICE INFORMATION MAY BE OBTAINED FROM "DIRECTORIA DE MATERIAL DE AERONÁUTICA", SITUATED AT "PRAÇA SENADOR SALGADO FILHO S/N, 3º ANDAR, AEROPORTO SANTOS DUMONT, CENTRO, RIO DE JANEIRO, SEÇAO DE PROCURA E COMPRAS" (PURCHASE PROCUREMENT DEPARTMENT), FAX Nº (005521) 262.8560, FROM MONDAYS TO THURSDAY'S BETWEEN 2PM TO 5PM AND ON FRIDAYS FROM 9AM TO 11AM. INTERESTED PARTIES SHOULD PAY A FEE OF R$ 150,00 BY CHEQUE MADE PAYABLE TO "DIRMA". |

## TECHNOLOGY

Tissue engineering will eventually be part of routine surgery, says **Victoria Griffith**

# Repairing the bodywork

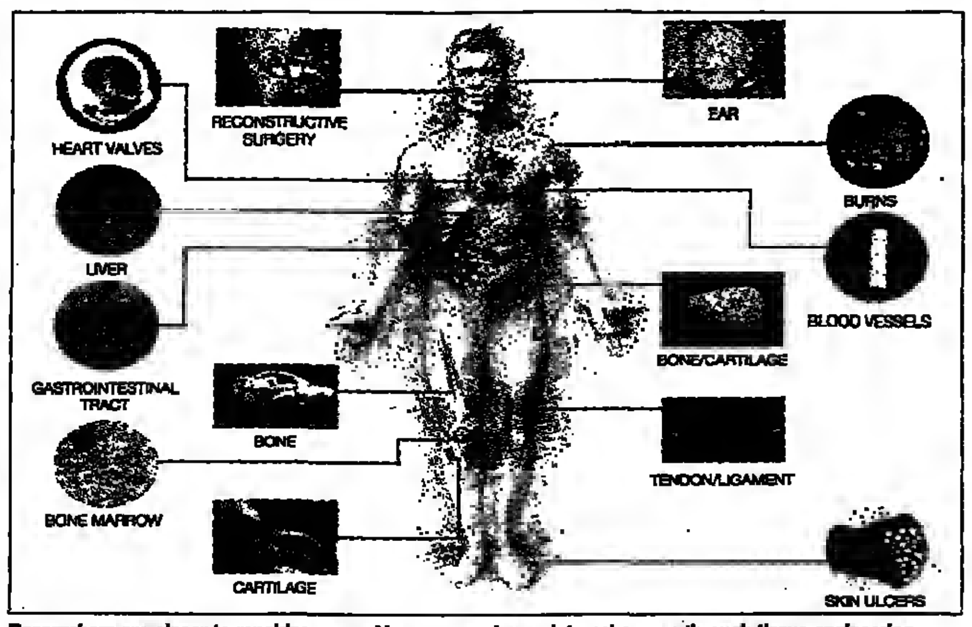
Anyone who watched television episodes of the Six Million Dollar Man in the 1970s will probably recall the programme's lead-in phrase: "We can rebuild him. We have the technology."

Those words could soon reflect reality. Although science is still far from creating the superhuman hero of the television series, patients suffering injury or disease may soon be given the option of regrowing parts of their own bodies. Researchers are moving closer to repairing ears, skin, noses and even internal organs such as bone and liver, through advances in the field of "tissue engineering".

In late October, in one of the most dramatic displays of tissue engineering thus far, scientists from the Massachusetts Institute of Technology and the University of Massachusetts onveiled a hairless mouse with a human-looking ear growing on its back.

The ear was created using technology eimilar to that researchers hope to use on human patients soon. A biodegradable polymer created a detailed scaffold for the ear. Scientists then sprinkled it with mouse skin and cartilage cells. Nourished by mouse blood, the cells multiplied, and when the polymer mold disappeared the mouse was left with a human-looking ear under its skin.

"Plastic surgeons have long considered the ear the gold standard because it is so complex," says Charles Vacanti, a professor at the University of Massachusetts and leading scientist for the research. "Bnt the ultimate goal is to replace whatever tissue needs to be replaced."



Researchers are closer to repairing ears, skin, noses and even internal organs through tissue engineering

Although the resulting creature looked bizarre, scientists stress that the mouse was not a freak show exhibit but rather an important step for tissue engineering. "It was a tremendous breakthrough that shows just how far we've come in this field," says Gail Naughton, president of the biotechnology firm Advanced Tissue Sciences, a leader in tissue engineering. Those working in the field are hoping to replace tissues for a number of patients soon.

Several biotechnology companies have already developed tissue repair products. Organogenesis has just filed with the US Food & Drug Administration for approval a new skin replacement for burns victims. Advanced Tissue Sciences hopes to gain approval for two similar skin products next year. And Genzyme launched the first cartilage repair product in July, although its technology may be subject to FDA regulation.

University research has also been moving forward rapidly. Joseph Vacanti, a physician at the Children's Hospital in Boston, has been working on heart valves and breast repair. Antonios Mikos, professor of bio-engineering at Rice University in Houston, says he is close to a breakthrough on bone reproduction.

Once the research comes to market, scientists are likely to find their technology highly profitable. There are, for instance, 800,000 diabetic sufferers in the US each year who lose skin and other tissue due to ulcers, according to Advanced Tissue Sciences. In the US 15,000 severe burns patients require new skin replacements each year.

Recent progress in tissne engineering has been made feasible, say researchers, by the marriage of engineering and life sciences. "This would all be impossible without tremendous advances in polymer science, which allows us to build biodegradable scaffolding," eays Robert Langer, a researcher at the Massachusetts Institute of Technology.

Scientists have also become much better at cell culture. "With just one foreskin removal from a routine infant circumcision, we can make 250,000 sq ft of skin tissue," says Naughton. Even complex structures such as liver cells have successfully been reproduced in culture.

Improved understanding of the immunological system has boosted the technology as well. The reason burn victims' bodies reject cadaver skin, it has been discovered, is largely due to the blood vessels still embedded in the transplanted skin. By creating skin tissue void of blood, scientists can avoid the problem. The Organogenesis skin prodnct, for instance, leaves tunnels open for the patient's blood vessels to grow into with time.

"By using more generic skin cells we avoid rejection," says Nancy Parenteau, chief scientist at the company. "We are basically tricking the body into thinking the tissue is its own, and after a while, as the blood vessels are filled in and new skin replaces old, it is the patient's own."

Scientists still face a number of challenges before tissue engineering becomes routine. Researchers still do not know, for instance, if replaced tissue will act exactly like other tissue in the body.

Replacing internal organs will be far more difficult than external cartilage and skin. "The more layers there are, in terms of muscles and nerves, and the more the organ has to perform a specific and complex function, like the liver, the more difficult it becomes to replace," says Mikos. "The next challenge is inside the body."

Scientists are optimistic the latest wave of research will yield real benefits. The science may seem strange in the laboratory, but for patients facing the prospect of replacing lost tissue, it may eventually be a godsend.

# 100th anniversary of the X-ray

**Andrew Fisher** looks back at one of the world's most important scientific discoveries

It seemed like a modern-day wonder to those who first heard the news. The discovery of rays that could make substances transparent electrified the scientific world 100 years ago, astonishing the public and opening up medical horizons that are still being extended today.

Even the down-to-earth Wilhelm Conrad Röntgen was taken aback by the rapid publicity, in pre-radio days, which followed the discovery of X-rays in his darkened laboratory at Würzburg University in southern Germany on the night of November 8 1895. "The devil was let loose," he exclaimed.

Today, X-rays are taken for granted. Modern medicine could not exist without the complex array of equipment which can carry out almost instantaneous scans of the body. In Germany alone, around 100m X-ray tests are carried out each year, according to the country's electrical and electronics industry association (ZVEI). Companies such as Siemens, Philips, Agfa, General Electric and Fuji are part of a global industry selling X-ray-related equipment and processes worth DM18bn (£8.2bn) a year.

But in the early days after Röntgen revealed his discovery to German colleagues in a paper entitled simply "A New Kind of Ray", the world was awestruck. "Such a sensational discovery makes it hard to avoid fantastic speculation about the future in the style of Jules Verne," wrote Die Presse, a Vienna newspaper. Even the German Kaiser was given a demonstration.

What Röntgen had discovered was that very short-wave electromagnetic radiation could penetrate surfaces to produce an image of what was underneath. This radiation, which Röntgen himself named X-rays, is emitted when high-energy electrons bombard a suitable target in a vacuum tube.

The implications were quickly obvious to doctors, who started to use X-rays almost at once to probe wounds and make diagnoses. "Here was a finding in physics that seemed designed by nature to serve medicine," wrote Jacob Bronowski, the Polish-born scientist and author. "It made Röntgen a kindly father figure and he was the hero who won the first Nobel prize [for physics] in 1901."

Other scientists had come near in solving the mystery of X-rays, but it was Röntgen, son of a wealthy textile merchant, who carried out the crucial experiment. Covering a Crookes tube (a glass vacuum tube used to study electrical discharges) with black paper, he found that the bones in his hand were revealed when he placed it in front of the high-voltage device. Markings became visible on a light-sensitive chemical on paper – the first X-ray photographs – and the rays even penetrated his wooden office door.

When Röntgen sat down to dinner on the night of his momentous find, he said nothing. He slept in his laboratory the following weeks, telling his wife Bertha only: "I'm doing something that will make people say 'Röntgen must be mad' when they find out what it is."

His peers were impressed with the truth of his discovery when he finally demonstrated it in January, 1896, in Würzburg. The audience watched in rapt silence as he made an X-ray image of the hand of Albert von Koelliker, a renowned anatomist. It applauded when the developed picture was passed round.

**Modern medicine could not exist without the complex array of equipment which can carry out almost instantaneous scans of the body**

That was the only presentation Röntgen gave, although the X-ray picture of the bones in his wife's hand (including her ring) helped convince sceptics. He declined to patent his discovery, clearing the way for worldwide development of X-ray equipment and applications.

More Nobel prizes would be won as fellow scientists moved on from the discovery of X-rays to uncover the mysteries of radiation and electrons. X-rays are now used not only in medicine for diagnosis and therapy (to kill cancer growths) but in archaeology and astronomy and for security checks.

Today's X-ray equipment is light years away from the early devices, which were cumbersome and fragile. X-rays quickly proved their value in diagnosing tuberculosis, the often deadly lung disease, and were combined with contrast media (chemicals put into the patient's body) to highlight areas that otherwise produced fuzzy images such as soft tissue, blood vessels and malignant growths.

It took several decades, however, for scientists to appreciate fully the dangers of X-rays – in particular, the fact that ionising radiation can cause cancer. During the early years of the 20th century radiographers and their patients were exposed to what are now known to be excessive X-ray doses, so that the leukaemia rate for the period 1920-1939 was 10 times higher for radiographers than for other physicians. "Quite a few X-ray pioneers lost their lives for medical progress," says the ZVEI.

Developments since then have cut down the X-ray doses required to give a good picture. Lung tests today need only 1 per cent of the exposure required in Röntgen's time, and radiologists suffer no more leukaemia than other doctors.

Medical imaging has undergone a technical transformation over the past 20 years. Computerised axial tomography (Cat) scanners, developed in the 1970s in the UK, combine a series of angled X-rays to produce images like slices of the body. These can be made into three-dimensional representations.

Magnetic Resonance Imaging (MRI), also pioneered in Britain, uses a combination of magnetic fields and radio waves to study soft tissues.

It takes a computer today less than a minute to make a brain scan comprising more than 260,000 pixels compared with two days for 6,400 pixels when scanning was first introduced. Siemens, for example, combines digital picture archiving and computer networking in its Sienet system for hospitals. Agfa (part of Germany's Bayer group) has developed with Fuji of Japan a luminescent foil to capture X-ray images which can be put into digital form and thus be improved electronically.

The next step for radiology will be long-distance transmission images, using global computer networks. A doctor anywhere in the world will be able to receive on-line advice from specialists abont the interpretation of a difficult image.





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# Music to soothe the rush-hour blues

At the Wigmore Hall last week there was another instalment of the Nash Ensemble's series, *Vienna and the Romantic Century*. Before that, however, came the first of this autumn's BBC "rush-hour concerts". They begin at 6pm, *every Wednesday until Christmas* and are finished by 7pm. Though each is broadcast live on Radio 3, you could wait out the rush-hour very pleasantly in the Wigmore audience, instead of hearing it in strangled bursts on your car radio.

The programmes are user-friendly and untaxing. This time we had the Copenhagen Piano Trio – still youngish, very sober and intent – in Beethoven's "Archduke" Trio, which they treated with intimate, musicianly respect but no grand manners, and *Nine Variations* by their 87-year-old compatriot Hermann D. Koppel. He is already the author of seven symphonies, a *Macbeth* opera and some 30 film scores.

The *Variations* proved to be lean and astringent, sometimes prickly, but satisfyingly varied. Should one come upon one of Koppel's symphonies or concerti, one would pay close attention.

The Nash gave us Schoenberg's early *Verklarte Nächt* in *the original sextet version*; always good to hear, but this time not fully exploited for the nerve-end raptures of its solo lines. Bigger tone from Stephanie Gonley, who was the stylish guest leader for the evening, would have helped.

Chamber-arrangements (by various hands) of Mahler's orchestral song-cycles stud this Nash season. Here we had the excellent François Le Roux in the *Lieder eines fahrenden Gesellen*, fine and sometimes forceful, as also in Beethoven's *An die ferne Geliebte* with Ian Brown's piano. Only his neutered German fails him: it is not good enough yet to allow him to do much with the words.

We have admired the deftness of the Mahler-arrangements for cruelly reduced bands before now. Yes, they are interesting, and yes, it is remarkable how much of the music they preserve, with even some of the right tone-colours recreated on the wrong instruments; but there are glaringly obvious losses too.

In a large capital which suffers no dearth of full-dress Mahler performances, what point can they make?

Alexander von Zemlinsky's op. 3 piano trio was more worth hearing, "immature" though it is.

Since *Der Zwerg*, after Wilde's *Birthday of the Infanta*, was rediscovered 20-odd years ago and made an impression in opera houses all over Europe, more and more Zemlinsky has been unearthed, much of it provocatively original.

This early trio (1895) found him still in thrall to Brahms, but audibly chafing at the limits of that language; the contrapuntal writing strains toward tensions that Brahms's idiom could neither admit nor resolve.

One of these days, a whole Zemlinsky mini-festival might help to illuminate how 20th-century music came about, and it would be a lot of fun.

**David Murray**

# Great outdoors

## William Packer finds much to admire in the landscapes of three very different artists

The pious hope is ever that talent will out, *eventually*, and get its due. Up to a point it does, if, in the case of the painter, to get the work onto the walls of a decent gallery from time to time is due enough. But too often it stops at that. So much is still a matter of luck.

Take modern Australian painting as an example. The several State Commissions have been bringing it over for years but we have scarcely noticed. Yet what little we do see is always interesting and lately there seems to be rather more in the galleries – in London, Rebecca Hossack shows it regularly, and a mixed show of five painters has lately opened at Browse & Darby. But to say as much serves only to reinforce the prejudice, that Australian painting in our time begins, as it ends, with Sydney Nolan and Arthur Boyd.

The small Fred Williams retrospective, now at Marlborough Fine Art, shows us how wrong we are. Williams died in 1982 in his mid-fifties. He had spent much of the 1950s in London, where he completed his studies. He returned to Australia in 1957, to his true subject, the landscape of the Outback, and to a certain success. He was at least honoured in his own country but abroad in his lifetime hardly at all. He is es fine a painter as any that Australia has produced.

While Boyd and Nolan set their mythic and narrative images within the natural landscape of Australia, for Williams that landscape of itself was mythic and magical enough. Yet his depiction of it teeters always on the border of abstraction, sometimee amounting to little more than a scatter of marks across the bare ground. His actual treatment of it is uncompromising in its physicality and directness, the thick gobbets of paint, all but spat straight from the tube, lying like highly-coloured slugs upon the surface of the canvas. Here, even in the paintings of the 1960s, is post-modern punk expressionism before its time.

How awkward it all is, how crude, how take-it-or-leave-it in its presentation. Yet how seductive it is, and evocative of place and atmosphere unknown to most of us, yet now known intimately, we feel, through these strange and beautiful paintings.

The scrubby trees, *pink and* purple, grow above the dry yellow river-bed: black and green scrub covers the red hill-side: night falls over the dark plain.

Ray Atkins must now be in his sixties. He is a landscape painter who settled in Cornwall some 20 years ago and has made its landscape of quarries and clay-pits, rocks and thorn trees, his subject ever since. He, too, is an expressionist and as brave and accomplished as any we have. Beyond the south-western counties he is hardly known at all.

His latest show at Art Space in Islington, redolent of linseed oil and turpentine, presents him in typical strength, yet with every sign that the unabated energy in the handling is now tempered by an increasingly subtle touch.

Thorn and gorse still explode, green and yellow, across the canvas, the paint as thick and rich as ever. But the mood is cooler, and the bones of the landscape are allowed to show more clearly through the paint.

Some of these paintings are as large as they are ambitious, and those of clay-pits are particularly impressive. Dead ground, falling away to rise again some way off, is always as difficult to paint as it is to judge, as I remember from my School Corps days, in terms of range and scale, with or without the aid of bushy-top trees. Atkins' handling of the blank far side, of his "Winter Claypits" in particular, is masterly.

My only reservation rests on the single painting of the figure, which is loose and unresolved. It requires the pulling-together in the drawing which in the *landscapes is second* nature. But taken at large, this is a splendid show by an artist not so much under-rated as still unknown.

John Houston, again a painter in his mid-sixties, is another secret too well *kept, at least in England*. In Scotland he is acknowledged as a major figure of that post-war Edinburgh generation that includes such artists as Elizabeth Blackadder, Robin Philipson and David Michie. But then Scottish painting, even more shamefully than Australian, has long been largely ignored in London.

Houston, too, is an expressionist painter, principally of landscape but also of figures and often of flower-pieces of a monumental presence. His work has a Nolde-like intensity of colour and a wonderfully ample sweep and freedom in the handling.

As with Williams, his landscapes have often tended towards abstraction, in his case almost mystical in their purity and simplicity. This his latest show at the Mercury suggests, however, a marked return to the specific rather than the idealised image, and to a real sense of place - the track down the hillside and across the fields: the Bass Rock out to sea. These are lovely, most accomplished things.

**■ Fred Williams – 1927-1982: Marlborough Fine Art, 6 Albemarle Street W1, until December 2. Ray Atkins – new paintings: Art Space Gallery, 84 St Peter's Street N1, until November 24 (ring to check times – 0171-359 7002). John Houston – new paintings: Mercury Gallery, 26 Cork Street W1, until November 18.**

The Paul Taylor Company steps out to the tune of Company B by the Andrews Sisters

### Dance/Clement Crisp

# Paul Taylor – fresh as ever

The stage is dark at curtain-rise. Four white clad figures are seen in the gloom. Then light floods in, and Handel *concerti grossi*, and dance *bounces and bounds* over the stage against the blue of the cyclorama. So begins Paul Taylor's *Aureole*, its cast seeming "angels in some brighter dream". It is with this angelic work that Taylor made his London debut just over 30 years ago. It is with this same piece that his dance company last week began its first British visit in far too long. Not to London – no proper dance-house yet, so no proper dance visitors – but to Edinburgh's admirable Festival Theatre.

The season is part of e fortieth anniversary world tour by Taylor's troupe. It is hard to believe that he has been making dance pieces, joyous and sombre, for so long.

Inspiration is fresh as ever, ideas as challenging, the language as resourceful - though more masterly and more daring. I have loved Taylor's work for three decades and he has never disappointed me (or any right-thinking dance-lover) save by not coming here frequently enough.

The eight works in the Edinburgh repertory span 40 years of his creativity – from the swamp-creatures of *Three Epitaphs*, who have suffered hysterically from the terminal droops since 1956, to the jokes of last year's *Funny Papers* and the mysteries of *Spindrift* from 1993.

Taylor's work has always been *sharply polarised*. He proposes behaviour of the most generous and loving courtesy in *Aureole*. He explores the bleakest, blackest aspects of supposedly civilised society (*Last Look* told of post-atomic horrors), and the beast lies just below the skin of many works. In Edinburgh, the most fascinating piece was *Spindrift*, using Schoenberg's string quartet concerto "after Handel", which might have been set on Circe's island. Andrew Asnes was a Ulysses figure; the other dancers were prey to animal leapings. Whatever the theme, the dance-text was fascinating, dark-toned. So,too, *Profiles*, a taut, sculpted piece in which two conples were ehown in hieratic poses, figures from a has relief, their behaviour shaped by frustration. With his usual felicity, Taylor resolves the *tensions* by showing, as the dance ends, a pair extending hands to each other, fingers bent inwards at the top joints. Our last sight of them is of hands relaxed, each grasping the other's arm. Piercing; wonderful.

In *Syzygy* the dance is galvanic, as if the stage were electrified. Gone is any formal constraint in the movement. The cast are driven, with flailing limbs, disjointed hodies, in bursts of ferocious energy. It is the apotheosis of disorder, of kick-boxing as life, of a frantic expenditure of physical strength where momentary contrast comes with solitary figures caught in serene poses. Then set against this the almost stifling sweetness of *Roses*, with lts six pairs of lovers in untrammelled bliss (to the *Siegfried Idyll* and a sticky adagio for clarinet by Baermann), or the war-time nostalgia of *Company B* with Andrews Sisters hits and happy encounters (and the shadow of battle casualties), and Edinburgh could appreciate the force of Taylor's imagination.

A clear favourite with the audience was *Funny Papers*, which uses a selection of the ghastliest of popular tunes (from *Popeye the Sailor Man* to the convulsingly off-key *I Am Woman*). The cast produced movement sketches in rehearsal which Taylor then "amended and combined". It is *quite* funny - but nowhere near as witty as Taylor's own comic creations: please can we have a revival of *Public Domain* on a next visit?

A next visit, soon, is essential. Taylor's admirable dancers, his more than admirable choreographies, are life-enhancers – and of how few creators can one say that nowadays.

### Theatre/Simon Reade

# Modern world

Bill Alexander has updated Congreve's 1700 play *The Way of the World* to the 1980s. At first glance, it makes sense historically. It almost works artistically.

Designer Ruari Murchison power-dresses the women and clothes the men in sleek black. They move from a leather-upholstered gentleman's club, to a Hyde Park colonnade, to a grand regency drawing-room. This modernisation is very discreet for a play where surface pretensions are at odds with inner reality.

However, that in-your-face, go-getting decade the 1980s was never coy about flaunting it. Where Alexander looks back to a well-defined decade of greed and nastiness, Congreve lives in the past, writing Restoration comedy 40 years after the event and at least a decade since moral Puritanism had set in.

The *zeitgeists* do not bear comparison. Moreover, Congreve's drama is not about a "loadsamoney" illusion of wealth, but "the labyrinth of love".

The modernisation does provide some nice touches: Witwoud believes that he is witty when he just prattles because he snorts cocaine; functional messengers are motorbike couriers; a piece of information – "married and bedded: I am witness" – is given a voyeur's lewdness by a man in a mac with an Ann Summers carrier bag.

Yet the play is too much part of one social milieu to feel the effects of Thatcherism. These are landed gentry, not *nouveaux riches*. Their battles are not class-driven hut between the sexes. "Oh. Men, men. Women, women," despairs Mrs Marwood.

There is no Essex barrow boy to make good, just a lumbering knight from Shropshire. Only Lady Wishfort's "Get a job!" to her servant has a Tebbitian on-your-bike scorn.

The setting takes away the laughter and points up the cynicism. Apart from the humorous Linde Spurrier's blue-stocking Lady Wishfort and the two fops Petulant and Witwoud, everyone is caught in an intrigue where loveless marriages are no longer the butt of philandering jokes but are painful and anguished. Lucy Cohu's Mrs Fainall spends much of the play hrooding darkly over a whisky sour.

Maybe Congreve's play is not that funny after all? If it is a comedy, then it is one of ill manners: "A wit should be no more-sincere than a woman constant". A society which creates institutions out of marriage, and codes out of behaviour, deserves to be kicked against by private passions.

No wonder the play has been so popular this century and that this Birmingham Rep production should open within a fortnight of the National Theatre's.

You do not need to make the world explicit, because we will always understand the complications of its wretched ways.

At the Birmingham Rep until November 25 (0121-2364455).

# Edwards resigns from English National Opera

Sian Edwards, 36, has resigned as music director of the English National Opera. She will leave the Coliseum on December 31.

Ms Edwards succeeded Mark Elder at the ENO in August 1993. Her appointment by the new general manager Dennis Marks was a surprise: she had little previous experience of conducting opera and her few appearances at the Royal *Opera House, Covent Garden* had not always been well received.

The media criticism continued at the Coliseum, and for a music director, who had the task of conducting the major new productions and setting the overall orchestral standard at the ENO, she was not much in evidence last season.

However, she opened the 1995/96 season at the Coliseum with Jonathan Miller's production of *Carmen* which was well received and which has proved *the most successful new production* at the ENO for many years, taking a record £1m at the box office.

Sian Edwards was admired for her work with the Russian repertoire, notably *The Queen of Spades* and *Khovanschina*, but her conducting of some other operas, notably *Jenufa* was less appreciated.

It is also believed that in recent months her relationship with Marks bad become strained. Her departure was not a surprise.

**Antony Thorncroft**

# INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**CONCERT**
**Concertgebouw**
Tel: 31-20-5730573
● Bruckner's 8th Symphony: conducted by Bernard Haitink and performed by the Koninklijk Concertgebouworkest; 8.15pm; Nov 29, 30; Dec 1, 3

## ■ BERLIN

**CONCERT**
**Konzerthaus**
Tel: 49-30-203092100/01
● Orchestre National de Lyon: with conductor Emanuel Krivine and violinist Gil Shaham perform works by Franck, Korngold and *Bartók*; 8pm; Nov 8

**OPERA**
**Deutsche Oper Berlin**
Tel: 49-30-3438401
● Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the *Deutsche Oper Berlin*. Soloists include Ildiko Szönyi, Julia Varady, Vladimir Bogachov and Reinhard Hagen; 7.30pm; Nov 8, 14; Dec 28

## ■ BOSTON

**CONCERT**
**New England Conservatory – Jordan Hall** Tel: 1-617-262-1120
● NEC Symphony Orchestra: with conductor Richard Hoenich and the winner of the brass/winds concerto competition perform the overture to Mozart's "Le Nozze di Figaro" and Rimsky-Korsakov's "Sheherazade"; 8pm; Nov 8

**EXHIBITION**
**Museum of Fine Arts**
*Tel: 1-617-267-9300*
● The Paintings of Sylvia Plimack Mangold: this exhibition of works from the mid-1960s to the present *day, documents* Plimack Mangold's evolution as a representational artist, from her images of interiors in the 1960s to her focus on landscape *painting* in the late 1970s and beyond; from Nov 8 to Feb 25.

## ■ DUSSELDORF

**CONCERT**
**Tonhalle Düsseldorf**
Tel: 49-211-8996123
● Grigory Sokolov: the Russian pianist performs works by Bach, Chopin and Stravinsky; 2pm; Nov 29
● Max Raabe & das Palastorchester: music from the 1920s and 1930s; 8pm; Nov 8

**EXHIBITION**
**Kunstmuseum im Ehrenhof**
Tel: 49-211-8992460
● Die Galerie der Starken Frauen (The Gallery of Strong Women): exhibition on French and Italian heroines in 17th century art; to Nov 12

## ■ FRANKFURT

**CONCERT**
**Alte Oper** Tel: 49-69-134400
● Chamber Orchestra of Europe: with conductor Gerard Korsten perform works by Webern, Mendelssohn and Brahms; 8pm; Nov 8

## ■ LONDON

**CONCERT**
**Barbican Hall** Tel: 44-171-6388891
● Oslo Philharmonic Orchestra: perform with conductor Paavo Berglund and pianist Leif Ove Andsnes works by Sibelius and Beethoven; 7.30pm; Nov 29
**Queen Elizabeth Hall**
Tel: 44-171-9604242
● London Lighthouse Concert: in aid of London Lighthouse. With the City of London Choir and Milton Keynes City Orchestra with conductor Hilary Davan Wetton, soprano Juliet Booth, tenor Jeremy Ovenden and organist Andrew *Lumsden. Works by Mozart, Haydn,* Elgar and Andrew Worton-Steward; 7.45pm; Nov 8
**Royal Festival Hall**
Tel: 44-171-9604242
● BBC Symphony Orchestra: with conductor Richard Hickox, the BBC Symphony Chorus, soprano Judith Howarth and trombonist Christian *Lindberg* perform Britten's "Suite on English Folk Tunes (A Time there was ...)", Nyman's "Trombone Concerto" (first performance) and Elgar's "The Spirit of England"; 7.30pm; Nov 9

**EXHIBITION**
**British Museum**
Tel: 44-171-6361555
● After Marathon: Money, War and Society in 5th century Greece: coins of the Athenian empire in the 5th century BC, *as Athens rose as the* predominant power in the Mediterranean world; from Nov 21 to Mar 3
**Royal Academy of Arts**
Tel: 44-171-4397438
● David Hockney: Works on Paper 1959-1995: with 140 drawings, watercolours and gouaches, the first retrospective exhibition on this scale devoted to the British artist's works on paper; from Nov 9 to Jan 28

**JAZZ & BLUES**
**Royal Festival Hall**
Tel: 44-171-9604242
● Ornette Coleman & Prime Time: Texas-born jazz saxophonist Coleman with his Prime Time band, complete with rap and multimedia; 7.30pm; Nov 8

**OPERA**
**Royal Festival Hall**
Tel: 44-171-9604242
● *Cosi fan tutte*: by *Mozart*. Concert performance in Italian conducted by Sir Simon Rattle and performed by the Orchestra of the *Age of Enlightenment*. Soloists include Hillevi Martinpelto and Ann Murray; 6.30pm; Nov 29

## ■ LOS ANGELES

**CONCERT**
**Wadsworth Theater**
Tel: 1-310-8252101
● La Belle et la Bête: the Philip Glass Ensemble plays the music with the French film version of "Beauty and the Beast"; 8pm; Nov 9, 10, 11, 12 (2pm)

## ■ NEW YORK

**CONCERT**
**Avery Fisher Hall**
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur, flutist Jeanne Baxtresser and mezzo-soprano Florence Quivar, perform Rennaissance Brass Works by Foss and Purcell; 8pm; Nov 9, 10 (2pm), 11
**Avery Fisher Hall, Lincoln Center**
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Yuri Temirkanov, perform Ravel's "Suite from Mother Goose" and Rachmaninov's "Symphonic Dances; 6.45pm; Nov 29

## ■ PARIS

**CONCERT**
**Salle Pleyel** Tel: 33-1 45 61 53 00
● Orchestre de Paris: with conductor John Nelson and pianist Jean-Claude Pennetier perform works by Messiaen, Stravinsky and Rachmaninov; 8.30pm; Nov 8

**EXHIBITION**
**Centre Georges Pompidou**
Tel: 33-1 44 78 12 13
● Jean Widmer, graphiste: first exhibition of this Swiss born contemporary graphic artist; from Nov 8 to Feb 12

## ■ VIENNA

**CONCERT**
**Konzerthaus** Tel: 43-1-71246860
● *Wiener Symphoniker*: with conductor Ingo Metzmacher and soprano Cheryl Studer perform works by Zimmermann, R. Strauss, Mozart and Stravinsky; *7.30pm*; Nov 29

**OPERA**
**Wiener Staatsoper**
Tel: 43-1-514442960
● Un Ballo in Maschera: by Verdi. Conducted by Fabio Luisi and performed by the Wiener Staatsoper. Soloists include Michèle Crider, Anna Gonda, Dennis O'Neill and Vladimir Chernov; 7pm; Nov 9, 12 (6pm), 16

## ■ WASHINGTON

**CONCERT**
**Concert Hall** Tel: 1-202-467 4600
● National Symphony Orchestra: with *conductor* Leonard Slatkin and mezzo-soprano Jard van Nes, perform works by Corigliano, Purcell and Berlioz; 8.30pm; Nov 9, 10, 11

## WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

## EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)
**MONDAY TO FRIDAY**

**NBC/Super Channel:**

07.00
*FT Business Morning*

10.00
*European Money Wheel*
Nonstop live coverage until 14.00 of European business and the financial *markets*

17.30
*Financial Times Business Tonight*

Midnight
*Financial Times Business Tonight*

Europa: **Holger Schmieding**

# Case for a U-turn

## If France fails to take action on fiscal and labour market policy the entire Emu venture may have to be shelved

For 45 years, politics in western Europe has revolved around a firm Franco-German axis. Whatever the challenge, politicians from both sides of the Rhine have met it in a way that has propelled European integration forward. Over the past few months, however, the axis has been showing severe signs of strain.

It was inevitable that Franco-German political relations would lose some of their cold war shine. Germany now has to deal with more complex problems to the east, while France faces an Islamist upheaval to the south.

*More fundamentally*, a united Germany is gradually turning into a more normal country: less in need of regaining the respectability it lost in the Nazi years by playing everybody's darling; less willing to accept a dirigiste "Europe à la française"; and less able to throw German cash at European problems.

None of this should be fatal for the Franco-German alliance. Paris and Bonn remain close enough to sort out their political differences, be it on Bosnia, the Schengen accord on European Union border controls, or an eastern enlargement of Nato and the EU.

The real problem lies in the *growing economic disparity*. Seen from Germany, French economic policy has been woefully lop-sided. France deserves top marks for its *monetary rigour*, having successfully maintained the link between the franc and the D-Mark through the aftermath of German unification. The *franc fort* has cut inflation to levels that even Frankfurt could be proud of.

But monetary policy alone cannot do the trick. France has so far failed to underpin the franc with sufficient structural reform and fiscal rigour: its structural budget deficit has risen in six of the past seven years. It suffers from much higher unemployment, as well as a much higher deficit, than Germany – in spite of the strain put on national resources by the drive to modernise and integrate the former German Democratic Republic.

As a result, France appears stuck in a credibility trap: the financial markets often assume it will be tempted to inflate its problems away for a while – regardless of what the government and the central bank say. In order to defend the franc, France has to endure much higher real interest rates than Germany. High interest rates, in turn, push up both unemployment and the deficit even more.

This lop-sided economic policy would be an internal French affair were it not for Maastricht. In an effort to reassure France that a united Germany would promote rather than undermine European integration, Helmut Kohl, the German chancellor, agreed in 1991 to give up Germany's two most-prized assets – the D-Mark and the Bundesbank – to make way for a single European currency by 1999. But as a safeguard, Germany insisted that countries pass a clear-cut test, enshrined in the Maastricht convergence criteria.

There has been much debate on whether these criteria are sensible. Certainly, their economic rationale is dubious. As the currency union between Belgium and Luxemburg shows, the level of gross debt does not really matter. And the 3 per cent ceiling on a member state's fiscal deficit in any given year is at best arbitrary.

**France has a lot going for it: a determined central bank, a current account surplus and a government with a solid majority in parliament**

But such bickering misses the point: like the entire Maastricht idea, the criteria have little to do with economic logic. They are more for German domestic consumption: Mr Kohl needs to reassure the German public that Germany will share its monetary sovereignty only with countries that have purged themselves of the temptation to inflate through painstaking adherence to tough criteria. If he can do this, he may – with luck – push Emu through. But if his most important partner, France, were to fail the test, not even the mighty Mr Kohl could railroad Germany into monetary union.

Whereas Maastricht allows some leeway in interpreting the 3 per cent deficit rule, German voters may not. Mr Kohl's likely challenger for the chancellorship in the next election in 1998 – Mr Gerhard Schroeder, a populist Social Democrat – has already indicated that he wants to use the widespread anti-Emu feeling to unseat Mr Kohl a few months before monetary union is scheduled to begin.

Without significant fiscal tightening, France stands little chance of getting its budget deficit down from more than 5 per cent this year to 3 per cent by 1997. Seen from east of the Rhine, the first few months of Mr Jacques Chirac's French presidency were a waste of precious time. Neither his decision to raise France's minimum wage, nor prime minister Alain Juppé's first budget did anything to soothe German concerns.

Since late October, Mr Chirac has started to talk more fiscal sense. The first big test for him will come later this month when his government presents a plan to cut the ballooning social security deficit, which accounts for one-fifth of the overall French deficit.

But fiscal reform alone may not suffice. France's fiscal woes did not arise out of the blue. They are the fiscal expression of structural rigidities, notably in the labour market, and of costly political interference with market forces. If these deficiencies are not also addressed, tighter fiscal discipline may not be sustainable.

*France has* a lot going for it: a determined central bank, a current account surplus and a government with a solid majority in parliament. If Mr Chirac wanted to, he could get things done. A fiscal turnaround need not even hurt the cyclical upswing. Lower real interest rates and a revival in confidence in France could more than offset the loss in fiscal stimulus.

When the reflation attempted by Mr François Mitterrand, the former president, ended in tears in 1982-83, France demonstrated a stunning capacity to clean up the mess. Mr Chirac and Mr Juppé now need to do a similar U-turn on fiscal and labour market policy.

If they rise to the occasion, fine. But if not, Germany may soon have to run for cover. With no hope of selling Emu to the German public, Mr Kohl may have to ask for at least a delay. In the end, the entire venture may have to be shelved, just as the Werner plan for monetary union was 25 years ago.

In economic terms, keeping the Bundesbank might be an excellent idea. But politically, it could be disruptive. France and Germany may accuse each other of broken promises. The Franco-German axis may break, blowing Europe's political architecture to pieces.

*The author is senior economist at Merrill Lynch in Frankfurt*



# ·LETTERS TO THE EDITOR·

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## IMF facility a catalyst for low-income countries

*From Shailendra J. Anjaria.*

Sir, I was *surprised* by Robert Chote's notion (Economics Notebook, October 30) that concessional funds provided to Malawi through *the International Monetary* Fund's enhanced structural adjustment facility "may not do any good".

In most countries that have been recipients of IMF financing through the adjustment facility since its inception in 1987, the available evidence points to visible gains in economic growth and reductions in debt service burdens.

Most of the adjustment facility recipients have *undertaken significant* reforms to create a more market-oriented and transparent institutional structure. Time and again, *studies of the development* process have shown that such changes are vital steps to improved growth and economic welfare.

Contrary to Mr Chote's assertion, it is beyond question that the adjustment facility has a catalytic effect – in other words, that this form of IMF lending generates additional financing from other sources. All the 19 countries reviewed in the *IMF* study mentioned by Mr Chote saw increases in inflows of official loans and grants, except for four which failed to carry out the policies promised under the adjustment facility programmes. On average, total net external resource transfers rose from 11 per cent of gross domestic product prior to the adjustment facility programmes to 15 per cent of GDP during the facility programmes.

The adjustment *facility was* created to respond to a need for highly concessional resources and a medium-term vision of the financial and *structural policy* needs in low-income countries. The full benefits of the policies being supported by the international community will be realised only over *time*, but evidence so far is encouraging. Extending the life of the facility is vital for ensuring the continued evolution of low-income countries toward *more open* and market-oriented economies and for helping them, thereby, to realise their full growth potential.

**Shailendra J. Anjaria,**
**director,**
**external relations department,**
**International Monetary Fund,**
**Washington DC 20431, US**

## No 'feel' for markets

*From Mr Perry Warren.*

Sir, Your article "London Stock Exchange 'missed boat' over Europe" (November 2), prompts me to write. I recently made one of my rare visits to the City and came away *feeling* that the place no longer has a heart.

Walking along Throgmorton Street – I used to do so in the 1950s – proved depressing. Apart from the limited traffic – which now flows in a different direction from the old days – one felt the area was totally dead. The Stock Exchange "Tower" seems pointless and one wonders where to go to get the "feel" of markets.

Trading screens dotted *around the City offices of* banks and brokers will never produce any spirit of togetherness and I believe this is leading to its decline in importance.

The time has come for a concerted effort to bring back a central meeting place to trade shares. Unless there is proper market *place* there is no point in continuing with the pretence that London is of any particular importance.

**Perry T. Warren,**
**16 Oakfield Road,**
**Crediton,**
**Devon EX17 2BN, UK**

## Timely that a fresh look to be taken at jury procedures in California

*From Mr Keith Wedmore.*

Sir, In 20 years of involvement in several thousand cases at the English Bar I saw a lot of jury trials. I have now been in California for 15 years.

It is my contention that California has twisted the jury system out of shape; one more twist (cameras in the jury box?) will finish it. So I am delighted that jury procedures in the state are to be looked at afresh ("OJ trial prompts formal review of California courts", November 1).

There should be no live coverage of a courtroom, or interviews with jurors or former jurors. The first changes the audience (which ought to be the jury), the second undermines the independence and safety of the jurors.

Judge Ito forbade the jury from discussing the case among themselves from the start – but why? In England there is no such ban. A ban can only mean a failure of the initial bonding which a jury must develop and puts an end to intelligent appreciation *of* the trial as it progresses.

The judge needs to be able to sum up the case to the jury – to analyse the issues and the evidence adduced *to* decide them. (He would, if he were to follow the English practice, remind the jury that theirs is the decision as to fact.) *Deprived of the elementary* help of the summing up, it is no wonder US juries flounder.

Finally, jurors should be empanelled without weeks *of* counter-productive questionings. One question is proper to ask: are you personally familiar with the *defendant or the circumstances* of the case? Anything more will tend to produce an inert jury, which wastes time; and tends to produce a jury of the *well-nigh illiterate.*

In the UK or Canada the OJ trial would have lasted two or three weeks – at most six. One has to ask why. Does it matter? Yes, because the public needs, as your reporter points out, to respect the system, or they will not make it work.

**Keith Wedmore,**
**5 Cornelia Avenue,**
**Mill Valley,**
**California 94941-1840, US**

## UK still allows import of type of asbestos

*From Mr Tom Cox MP.*

Sir, You reported in an article headlined "The UK's growing epidemic that will kill thousands" (October 28/29) that the asbestos-related disease "is a legacy of heavy use of asbestos, particularly in construction, that peaked in the mid-1960s and continued into the 1970s".

This is slightly misleading. Unfortunately, asbestos is still being imported into the UK today and is being used extensively in the construction industry in concrete products and roof tiles.

While many member states within the European Union have banned all asbestos, the UK is still allowing white asbestos to be imported.

The most recent scientific evidence and a press release from the UK Health and Safety Executive suggest that this type of asbestos is also lethal.

**Tom Cox,**
**House of Commons,**
**London SW1A 0AA, UK**

## The issues raised by Nigerian sentences on Ogoni leaders

*From Mr Charles F. Vère Nicoll.*

Sir, I was appalled to read of the sentences passed on Ken Saro-Wiwa and other Ogoni leaders by a special Nigerian tribunalthis week ("Protests as Nigerians condemn minority rights leader to death", November 1).

I was equally appalled at Shell's feeble response to a demand that it use its considerable influence with Nigeria's *military* junta to review this seemingly highly unsatisfactory judicial decision and abuse of normal judicial process.

*Anita Roddick* (Letters, November 1) is to be congratulated, albeit as a voice in the wilderness, for suggesting that powerful multinational organisations must make moral judgments and decisions to reflect their overall corporate ethic.

This episode raises two key issues.

*First, the question of* whether profit and shareholder return justify either a negative response to a moral and ethical dilemma or a refusal to get involved because of *possible* ramifications for a profitable relationship.

It has been shown time and time again that standing up to tyranny always pays dividends. Overlooking cruel and unacceptable behaviour ultimately weakens a company's base by eroding trust and respect among *customers. It also* encourages a deterioration in ethical standards throughout the employee base and invites others to follow suit.

*Secondly, there is the* question of legal process. Being able to make sound business judgments on an international basis demands that certain *assumptions* be made about basic legal process. Clearly these are not assumptions that can be made in the case of Nigeria.

It *is* time for our most powerful companies to stand up and be counted on what is a basic issue of morality and ethics. If Shell fails to do so, what possible example can this be to *other* companies that do business with unstable regimes? Perhaps most important, what happens to the moral fundamentals that we *teach our children? Profit* is not a dirty word – it is an excellent goal as long as it is achieved within an overall ethical structure.

**Charles F. Vère Nicoll,**
**chief executive,**
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**8 Cheap Street,**
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Personal View · **Tony Jackson**

# Tears before bedtime

## Many of the wave of US mergers are driven by financial logic and likely to end in failure

**US takeover whirl**
- First Interstate bank receives offer from First Bank System for $10bn
- International Paper bids $3.5bn for Federal Paper Board
- Johnson & Johnson healthcare group raises bid for Cordis to agreed $1.8bn
- Keebler, biscuit maker, bought by Info Holdings for $500m
- Sherwin-Williams, paintmaker, bids $400m for Pratt & Lambert
- Compaq computer company bids $372m for NetWorth

Yesterday seemed to bring final proof, if it were needed, that the merger game in the US is getting out of hand. By mid-morning, six deals had been *announced* with a total value of $16bn. This brings the total this year to about $350bn, establishing 1995 as the biggest year for mergers in US history.

The last merger wave in the US, which peaked in 1988, was financially driven: characterised by junk bonds, greenmail and often crippling debt. This time, we are assured, it is different. The forces of change *are driving certain industries* to consolidate: and in healthcare, the media or financial services, companies are merging for the sake of industrial logic.

Yesterday's events stretched this thesis to breaking point. Granted, First Bank System's $10bn counter-offer for First Interstate is *part of a general* consolidation in US banking. But yesterday's deals included America's biggest papermaker, International Paper, buying a smaller rival, and America's biggest paintmaker, Sherwin-Williams, doing the same.

Add in yesterday's purchase of companies in computing (NetWorth), surgical equipment (Cordis) and biscuits (Keebler), and it becomes clear that this is a phenomenon not of industries, but of markets. According to J.P. Morgan, 56 per cent of this year's deals by value have been funded by the issue of stock: and the *stock* market is at an all-time high.

As a result, the yield on US equities is at an all-time low: that is, equity finance is cheaper than it has ever been. But this cuts both ways. If the bidder's shares are high, so are those of the targets.

Equally, some companies are bidding at a cyclical peak in their industries. Again, this cuts two ways. International Paper will make as much profit this year as it did in the past three together: but so, by a wider margin, will its target Federal Paper Board.

*Meanwhile, there is no short*age of evidence that mergers carry a high failure risk. While mega-deals like Disney's $19bn takeover of Capital Cities/ABC are being put together, others like AT&T's $7.5bn purchase of NCR four years ago are being picked apart.

Are America's chief executives simply being swept along by the tide? In one sense, yes. As a senior investment banker at Morgan Stanley points out, at the start of this merger wave around two-thirds of deals by value were in the three industries – media, *healthcare* and *financial* services – which really are in the process of change. The broadening out to paint, paper and the rest suggests the process is *becoming indiscriminate.*

But as a rival at J.P. Morgan argues, there is never a shortage of chief executives eager to expand through acquisition. What is less common and driving today's merger frenzy is a combination of easy money and willing sellers.

To a large extent, this comes back to the strength of the stock market. Investment bankers report a sharp rise in the number of companies prepared to sell out now that their shares are high. This might in itself be taken as a warning: and indeed, all six deals proposed yesterday were friendly.

At the same time, the market's *bullishness* means that many acquiring companies see their shares rise, or at worst hold steady, when deals are announced. This spurs more chief executives to launch deals of their own. It may also help to account for the fact that, as investment bankers also report, providers of bank finance are at present unusually willing to provide cash for takeovers.

But as companies are themselves coming to realise, the biggest risks in takeovers are not usually financial at all. Professor Ira Smolowitz of the American International College has just completed a survey of senior executives at large US companies on why mergers are likely to fail.

*The most important factors*, the executives said, were incompatibility of culture, the inability of the acquirer to manage the target's business and the difficulty of producing the right degree of change in the new organisation. Financial risks – of overpaying, or having to sell too many assets to meet the purchase price – came lower down.

Investment bankers say questions of culture are being taken more seriously by acquiring companies. But as the bankers also cheerfully admit, there is little they can do to help companies assess non-financial risks.

Given that so many recent mergers seem to be financially driven, the conclusion seems obvious. For all the talk of industrial logic, the chances are that the present wave of mergers will be followed by the usual wave of demergers in four or five years' time.

*The author is the FT's New York bureau chief*

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# Learning from South Korea

Few would deny that the South Korean model of "guided capitalism" has proved a remarkable success in propelling that country into the forefront of Asian economies over the past three decades. Close liaison between government and business, in which the government picked industrial winners, promoted them with cheap bank loans, and pushed them down the path of exporting, transformed Korea into an industrial powerhouse. It is a system that others, including several of the former Communist countries, have been tempted to follow.

Yet the dangers inherent in the Korean model have also long been obvious. In recent weeks, they have emerged into the public gaze, with the latest revelations of large political payments made by the *chaebol* – the 30-odd industrial conglomerates which dominate the Korean economy – to the former president, Roh Tae-woo, and his predecessors as bead of state. Mr Roh has confessed that he possessed a slusb fund worth many millions of dollars, and now faces the prospect of being arrested and charged with hribery. The Korean federation of industries, the nation's most influential business organisation, has admitted the widespread practice of payments to political "slush funds".

Such an unhealthy relationship between government and business was inevitable, given the industrial favouritism on which the system was based. Ever since the military came to power in 1961, and the government nationalised the banks, it has used the financial system to exercise its control. By ensuring plentiful capital, at negative real interest rates, for officially approved projects, and by keeping the exchange rate low, such policies contributed to rapid, export-oriented industrialisation. They also created an extraordinary symbiosis between the *chaebol*, the bureaucracy, and the politicians. It was obviously a system wide open to abuse.

The advent of democracy in Korea, in the place of military rule, has exposed tbose long-standing payments. The political class and the business class are in danger of being simultaneously discredited. The scandal threatens to implicate leading politicians in both the ruling and opposition parties because of allegations that they accepted money, in turn, from Mr Roh's secret fund.

Although Korea's business leaders have apologised profusely, and promised to end such payments, nothing short of full liberalisation of the economy can guarantee a real clean-up. Liberalisation is essential both for political and economic reasons. Although an interventionist, regulated economy gave Korea the initial economic boost it needed, it is clearly incompatible with the more open, democratic government the country now enjoys. It has also stifled small business, with the 30 largest *chaebol* accounting for 75 per cent of all economic ontput. It has inhibited industrial specialisation and encouraged duplicated capacity in a few sectors declared to be national priorities.

There are lessons in Korea's scandal for other interventionist economies with excessively regulated financial sectors. The tale of Mr Roh has relevance around the world, whether it be in Italy or India. Economic liberalisation has a political purpose, in ensuring clean government, as much as an economic one, in promoting healthy competition.

# Down the tube

London is hardly the worst place in the world in which to travel to work. But to those crawling in its morning traffic jams, it is poor comfort to be told thet they are moving only 0.7mph more slowly than 15 years ago. Nor are those wedged in the Northern Line's carriages happy to be lectured on improvements in the London Underground. London's transport network is not in crisis – yet – but uor is it working well enough to protect the capital's future.

London Transport, which runs the Underground, last week joined the growing number of organisations calling for a long-term strategy for London's transport, as it published a 25-year programme estimated to cost £20bn. London First, a private-public consortium, and the Confederation of British Industry also want a shake-up in the planning and financing of London's networks.

In all these plans, the focus is rightly on buses, the Underground and other rail links. That is not to dismiss the need for better parking controls and other measures to help road traffic. Bnt public transport, which accounts for half of all journeys in London, compared with 12 per cent nationally, is the most crucial component.

Part of the problem is lack of money. London First argues that services can be improved without more government spending. Its estimates rely on rephasing hudgets, which is plausible, and on a voluntary levy on husiness, which is less so. Its approach is too coy, even allowing for pressures on the transport budget: radical improvement is hard without more cash.

However, much could be done to make better use of present funding. London First and the CBI call for a new co-ordinating body to oversee planning and handle complaints. This is desirable, particularly since privatisation and competition in buses have increased the number of operators.

London's transport needs are so complex that even if funds were available, a single, multi-billion pound blueprint would be unlikely to anticipate them adequately. But a single authority would be better placed to match scarce resources with rapidly changing ueeds.

# South Africa poll

Sonth Africa has once again triumphed over its past. Last week's local government elections have hrought democracy to the country's grass roots in an exercise almost as remarkable in its own way as the general election last year that ended three centuries of white rule.

President Mandela's African National Congress (ANC) won a fresh mandate. Mr F.W. da Klerk's National Party was jolted by the fall-off in support among the coloured voters of the western Cape, which was until the elections the only one of the provincial assemblies controlled by the former ruling party.

But South Africa's past is not huried. Polling could not take place in KwaZulu Natal, where political violence has cost over 2,000 lives this year, the result of continning tensions between the ANC and Chief Mangosuthu Buthelezi's Inkatha Freedom Party (IFP).

At the same time, the far right Conservative Party, and the Freedom Front, which seeks an Afrikaner homeland, have been angered by the decision to charge former Defence Minister General Magnus Malan and 10 other retired senior army nfficers in connectiou with the murder of 13 people in KwaZulu Natal in 1987.

The move has threatened what has so far been a surprisingly good relationship hetween Mr Mandela and General Constand Viljoen, leader of the Freedom Front, who claims that the charges contravane an amnesty agreement.

It would be wrong to underestimate the threat posed hy the far right, for its ranks almost certainly harbour potential assassins. But its influence in the security forces is dwindling, and the election has demonstrated that it has the support of only a small minority of whites – less than 5 per cent.

The ultimate significance of the murder charges may lie not in their impact on the white right, hut in the implications for relations between the ANC and Inkatha.

There have long been suspicions of links between Inkatha and the so-called *third force*, a shadowy group with alleged security force connections which has been accused of responsibility for political assassinations in KwaZulu Natal and elsewhere. If the investigation which led to the charges against Gen Malan and others provides any evidence of such a link, etrains batween the ANC and Inkatha will worsen.

This will further rednce the chances of a cool and thorough consideration of an issue not properly resolved during the talks that paved the way to the 1994 election – the relationship between South Africa's central government and the country's provincial parliaments. Chief Buthelezi's demand that they retain substantial powers is seen by the ANC as a step towards what it imagines is his ultimate objective – the secession of the province.

Mr Mandela's triumph last week, remarkahle as it is, brought resolution of this critical constitutional issue no nearer, and peace in Natal no closer. The toughest test of Mr Mandela's presidency may yet lie ahead.

# Planes, trains and automobiles

## The FT Interview · Jürgen Schrempp

### The chairman of Daimler-Benz tells **Wolfgang Münchau and Peter Norman** that Germany's biggest industrial company will no longer tolerate persistent lossmakers as it pursues its mission in all forms of transportation

Daimler-Benz, Germany's largest industrial company, is at a crucial turning point. Two of its four subsidiaries – Daimler-Benz Aerospace (Dasa), the aircraft manufacturer, and AEG, the electronics and rail equipment subsidiary – are turning in losses on a scale that would cripple most companies. A grand visionary strategy to create "an integrated technology concern" was abandoned days after Mr Edzard Reuter, its author, retired as chairman in May. Since then, hardly a day has gone by without Daimler generating unfavourable news headlines: about record loss provisions, about job losses at Dasa, and most recently about the sale of two core units of AEG.

In response, Jürgen Schrempp, whn took over as chairman five months ago, has pledged change on an unprecedented scale: change in the way the company operates, in the company's structures, and most importantly in the way the company thinks about itself.

At Daimler-Benz's headquarters on the nutskirts of Stuttgart, Mr Schrempp detailed a hard-nosed free market strategy which would not have sounded out of place in New York or London, but which has an unfamiliar ring in Germany. In a 100-minute interview, he appeared to revel in the difficulties facing the group. He peppered his rapid-fire conversation with talk of shareholder value ("I introduced the notion in this company. Now everybody talks about it"), the need for transparency, benchmarking and the unacceptability of long-term losses.

But as the conversation progressed, there were frequent reminders that we were talking to a German executive running a German-based company, albeit one "that is on the way to becoming international".

"We are changing the culture of the company, of Dasa and of Daimler-Benz, in being much more bottom-line orientated," he said. Daimler-Benz's poor financial results – a first half net loss of DM1.57bn (£702m) – were "one advantage which the world thinks is a disadvantage" because "being under the pressure of getting back to the performance of years back belps dramatically" (he repeated "dramatically") in drawing out the best in people. Of Dasa, which made a DM1.6bn first-half loss, Mr Schrempp said: "We have gone into that business to make money and not for shiny eyes."

It came as no surprise that he admires Jack Welch, the chairman and chief executive of General Electric of the US. "If a company like GE has a return on equity for 10 years of between 19 and 21 per cent, thet is a well run company."

But admiration did not mean wholesale emulation. GE's "dramatic" record of huying and selling companies in the past 10 years was not for Daimler-Benz.

"We are coming from a totally different culture. We are not the cool portfolio managers. We have a mission. I want our people to identify with the company. We want to give them a stable perspective. We are prepared to go through difficult times and not just say, if in the next two years things are bad, we get out."

For Mr Schrempp, Daimler-Benz's mission is in all aspects of mobility: producing cars, trains and aircraft. He supports the idea of a group in which the member companies contribute strategically to each other's activities. That sounds very German and not so far from the philosophy of Mr Reuter, his mentor.

But while prepared to support a division through difficult times, he will not hang on to persistent lossmakers. This, he insisted, was a cultural change. "The old traditionalists didn't like it at all."

Mr Schrempp recalled with relish his eix years from May 1989 as chairman of Dasa. "We merged companies, we dissolved companies, we cut layers of management, we cut bead office from 700-800 people down to 300, we resolved the problem of the state, local or federal, having great inflnence in the company. We had to fight with a 60 per cent cut in the defence budget... The joh was very exciting because everything that happened then in Germany and the world was against us. And I must tell you I like that."

In reviewing Daimler-Benz's 35 businesses now, "the first criterion is profitability". Each business unit must produce, or have the potential to produce, a return on equity of at least 12 per cent if it is to remain part of the group.

The recently announced cuts at Dasa are intended to hit this target by 1998 and so overcome the problems caused by the weakness of the dollar. He insisted that the Dasa restructuring programme, known as Dolores (an acronym for "dollar-low rescue") will go ahead as recently announced, perhaps with minor modifications. But the targeted savings would remain the same. "I can tell you, whatever the decision is, it is DM1bn [in cost savings], full stop."

Mr Schrempp defended his hard-nosed approach as essential for the survival of the European aerospace industry. He dismissed a recent proposal by Mr Henning Voscherau, the governing mayor of Hamburg, that the state should buy back Dasa in order to prevent further joh losses.

"In Germany, there are some politicians who say 'why don't we revert back to making the aircraft companies state companies again?' But you can quote me: this is crazy. It is precisely what one should not do. I hope that guy reads it."

However, Mr Schrempp acknowledged that the aerospace industry in Europe is highly political and will stay that way "whether we like it or not". More co-operation was needed "desperately in Europe to be competitive against tbe Americans". Although he insisted that "there are no national champions any more", be did not believe in the emergence of a single European company in the aerospace and defence husiness. On the other hand, Airbus, the European aircraft consortium, might become a public limited company. But that would take "at least five years".

In spite of Dasa's present problems, Mr Schrempp had no doubt that Germany would continue to play a central role in this industry. "Just go back to 1988 and the position we were in there. We were basically nothing. And look over the years, we had the problem that our friends across the Rhine thought we would become too dominant. If you would talk to our French friends, I guess they are still of the opinion. So we have come a long way."

Contrary to the view of many in the industry, be said Italy should get more closely involved in the European aerospace sector and certainly in Airbus. This was because of the country's political and economic importance, and also because Italy might "otherwise go transatlantic".

While public and media attention over the past six months has focused on the difficulties at Dasa and AEG, the heart and soul of the company remains Mercedes-Benz, the car and truckmaker, if only because it is the only significant contributor to profits.

"They have done a marvellous job in the last three to four years in terms of restructuring. Nobody has noticed. But they had to cut 40,000 jobs and fortunately were able to do it on a socially acceptable basis. They have cut costs so dramatically that the new medium-sized car, the E-class, is lower in cost than the predecessor and with hetter features. That is the first time in the history of our company."

So, for all his McKinsey-style rhetoric – as post-modern as Daimler-Benz's head office building – Mr Schrempp acknowledges that Daimler-Benz has social responsibilities.

He dismissed criticism from financial analysts who had argued that Dolores, in spite of 9,000 job losses, did not go far enough. "We said 'let's be realistic'. We cannot go to them [the Dasa workforce] and do more than we at the moment need. That is what you call economy of conflict. And we have sufficient conflict."

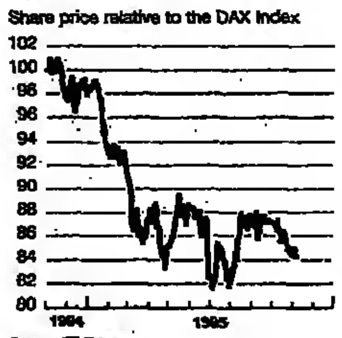
Unlike some other industry leaders, Mr Schrempp applauded the job pact proposed last week by the IG Metall, the metalworkers union. He also showed no desire to get rid of features of such German corporate governance as worker participation on company boards.

"I am very much in favour of co-determination because it is nothing else than an orderly process of negotiation. See what we have done in the last few years. Everything can be done in Germany, although it is more time consuming and more costly. Bnt let us not forget the advantages of the German environment," he said.

"What we are trying to do, and it's not easy, is become an international company but maintain what we think are the good values of partly conservative and solidly German or Swabian thinking."

**Daimler-Benz**

Share price relative to the DAX Index




Source: FT Extel

# · O B S E R V E R ·

## Don't bank on it yet

■ A month is an age in Polish politics, as Hanna Gronkiewicz Waltz, the country's central bank boss, has occasion to reflect following her trouncing in the first round of the presidential election.

Not so long ago she was level-pegging with president Lech Walesa, while also being seen as the new face to stop former communist Aleksander Kwasniewski in his tracks. But then her support evaporated – down to around 3 per cent in Sunday's ballot. Which places a question mark both over her political future, and her position at the bank.

Walesa, who nominated her for the bank post, has already said he thinks she should resign. Kwasniewski, if he wins, would obviously demand her scalp. But Waltz, who deployed the footage of her recent meeting with Margaret Thatcher during tha campaign, gave no indication that she was thinking of going. Nor would she be giving up her political fight, she told her mournful supporters. If Jacques Chirac could take several tilts at the presidency, so could she.

## Size matters

■ No doubt Ritt Bjerregaard, the EU's controversial commissioner for the environment, rues the day she put pen to paper. First came the ignominious withdrawal of her Brussels diary. Now those she singled out for treatment have started to hit back. Industry commissioner Martin Bangemann is sage enough to distinguish between serious and silly gossip. So what did he have to say about Bjerregaard's little hitch that he rarely attended commission meetings? "It is always the case that if I get to know women they would like to see me more frequently than I am present." Bangemann, built like his fellow German Helmut Kohl, turns 61 next Friday.

## Dear diary

■ Robert Ayling, British Airways' freshly-minted chief executive, is starting to sound like our kind of guy. Remember that 1980s taunt of the City's yuppies – "lunch is for wimps"? Well, Ayling has thought up his own macho battle cry for the 1990s – "Heroes don't have diaries".

Ayling, a former civil servant, thinks that there are too many meetings at BA, and they go on for too long. He wants staff to take the initiative and act when they have to, rather than schedule endless meetings to win approval for whatever it is that they need to do. BA is mounting a poster campaign, featuring the new boy's slogan, to ram the message home to staff.

So does Ayling own a diary, then? What a silly question. Of course he does. He admits that he cannot do without one completely. Rather like those lunches?

## Ringing changes

■ Is the European parliament turning into a real parliament after all? Starting next week, MEPs will be banned from using mobile phones in the parliamentary chamber during plenary sessions and committee meetings. The logic is that the MEP thought process should not be endangered by a ringing telephone. A ban will apparently also "safeguard the dignity" of Europe's talking shop.

Italy, Portugal, Britain and Germany certainly don't allow the excrescences. But in France, where the practice is frowned upon hut not actually banned, deputies excuse their non-appearance at sessions on the fact that they can't use their mobiles. No doubt MEPs will wise up quickly too.

## Wishing well

■ This must be one scoop that the Jerusalem Report will not want to boast about. Last week the fortnightly news magazine published an article which started with the tragic prediction: "Yitzhak Rabin does not have long to live. The angels have their orders."

The article – about the role of ancient curses in Jewish life – reported how a rabbi of the far-right Kach movement had stood in front of Rabin's bome on the eve of Yom Kippur and cursed him for his heretical policies. The unknown rabbi demanded "from the angels of destruction that they take a sword to this wicked man" and said that the curse generally worked within 30 days.

Not all such curses work. Iraq's Saddam Hussein, for example, has had a similar one outstanding against him since the 1991 Gulf war. However, the article went on to list a number of other public figures in Israel who have come to grief after such imprecations. The whole thing is a way for the powerless to deal with impotence, say the sociologists. But it is also a terrifying reminder that Israel has more than its fair share of odd-ball ayatollahs.

## Milked rotten

■ Selling the family silver is one thing. But the privatisation of Indonesia's PT Telkom has attracted such a stampede thet small investors seem to be flogging anything and everything just to get their hands on some shares – and that includes their cattle. Given the poor performance of Indonesian tin-mining company Tambang Timah since flotation, the eager buyers may live to regret their scramble to exchange liva cash cows for a flimsy bit of paper.

The Financial Times

## 50 years ago

**German competition**
First-hand surveys of Germany's present day industrial capacity form an important part of British exporters' plans for overseas trade.

Leading members of heavy industries, shipbuilding and engineering trades have been touring German factories. Their assessment of Germany's industrial poteotial is being taken into account in deciding on expansion at home.

These surveys form part of the long-term view that is being taken in organising the British export drive. Industrialists are determined not to be misled hy short-term opportunities offered by the present "sellers market".

As an integral part of their export plans, British industrialists have been collecting first-hand information of the position on the Continent. "Our investigations showed that Germany was far behind us and that we had nothing to fear even if she were allowed to produce and compete," a representative of an engineering firm told the Financial Times.

"As a result we were able to recommend considerable extensions to our home factory confident of a clear field in world markets."

FINANCIAL TIMES
Tuesday November 7 1995



# Swedish growth package aims to boost employment

By Hugh Carnegy in Stockholm

The Swedish government yesterday unvailad an "agenda for growth" intended to build on its recent success in reducing the budget deficit and to lower the 13 per cent unemployment rate.

The Social Democratic government promised measures to increase labour market flexibility, help small companies, expand education and reform social security, while restating its commitment to a strong welfare system.

"The state finances are now under control. Economic policy is entering a new phase where the main task is to capitalise on the rebound in the economy to achieve sustained high growth," the policy document said.

The proposals were the fulfilment of a government promise to bring forward measures to complement the tough budget moves introduced since it returned to power last year in the midst of a crisis over public finances.

Mr Göran Persson, finance minister, presented a cautious but optimistic picture for the remainder of the decade. He said the budget deficit would fall below 7 per cent of gross domestic product this year after hitting 13.4 per cent in 1994 and would be eliminated in 1998. State debt would be stabilised this year, two years ahead of forecast.

He said parliament would decide whether Sweden should seek to take part in European economic and monetary union in 1997. In the meantime, the krona would stay outside the European exchange rata mechanism, despite its recent sharply stronger trend.

The economy is expected to grow by 3.5 per cent this year and by 2.7 per cent next – again ahead of forecasts – with annual average growth above 2 per cent up to the year 2000. "We are going fast in the right direction," Mr Persson said.

The government's statement included a renewed commitment to budgetary discipline, a promise to review labour market policy with tha aim of introducing greater flexibility, a pledge to expand education, and measures to stimulate growth of small companies – a traditionally weak sector in the Swedisb economy which is now seen as vital to shrinking unemployment.

The "entire social security system" is to be reviewed to ensure greater efficiency, and the suspension of unemployment benefits is to be extended from 20 to 40 days for those leaving work voluntarily, and to 60 days for those turning down new work.

But the government firmly restated its traditional commitment to social welfare, equality and high environmental standards, setting no target for the share of public spending in the economy.

Even so, the statement said no non-financed expenditure or tax cuts would be proposed up to 1998 and there could be "no talk" of increasing welfare benefits cut over the past year. A ceiling would be set on pnblic sector expenditure for "several years" in the 1997 budget.

On industrial policy, the proposals suggested allowing companies to offset taxes on dividends and capital gains against corporation tax and to offset venture capital investments against tax for two years. They also would allow the state pension fund to invest a further SKr10bn ($1.5bn) in equities in an effort to boost investment. These measures should go some way to meeting long-standing criticism thet the tax regima favoured the country'a big international companies over small-scale entrepreneurs.

The government intends to double taxes on carbon dioxide emissions and replace a planned 20 per cent increase in sales tax on certain cars with a 10 per cent increase in vehicle taxation.

# Parental leave deal a first for EU social chapter

By Robert Taylor, Employment Editor, in London

European trade unions and employers have negotiated a legislative proposal for the first time under the social chapter of the Maastricht treaty.

Under the framework agreement, workers in European Union countries – apart from the UK which is not a signatory – will be entitled to 12 weeks' unpaid parental leave after the birth or adoption of a child, and to have time off work "for urgent family reasons."

Under the 1991 Maastricht treaty, employer organisations and unions are allowed to negotiate European-wide social protection measures affecting employees in the workplace for automatic implementation by the EU. Despite the UK's opt-out, the Confederation of British Industry said many of its member companies with European interests would be covered.

The European Trade Union Confederation, representing most union groupings in the EU, is set to ratify the parental leave agreement at a meeting of its executive committee next month. Unice, the main employers organisation, is likely to accept tha deal when its governing body meets before Christmas.

The agreement will ba presented to the European Commission for a decision by the Council of Ministers – excluding the British government – which is expected to translate the agreement into a decision applicable throughout all EU member states except the UK. It provides that either parent will be able to taka unpaid leave on the birth or adoption of a child to enable them to take care of the child for "at least three months".

The agreement is flexible, enabling conditions for the application of parental leave to be decided by law or collective agreement differently in the individual member states. There will also be room for manoeuvre over whether an employer can be allowed to postpone leave for operational reasons.

The agreement requires member states and the social partners to "take measures to protect employees against dismissal" if they apply for parental leave. They will have the right to return to the same job, or if that is not possible, "an equivalent or similar job consistent with their employment contract or relationship".

The two sides also agreed that employees can take time off from work "for urgent family reasons in cases of sickness or accident making the immediate presence of the employee indispensable."

Mr John Monks, general secretary of Britain's Trades Union Congress, said British unions would negotiate with employers to try to achieve the same rights.

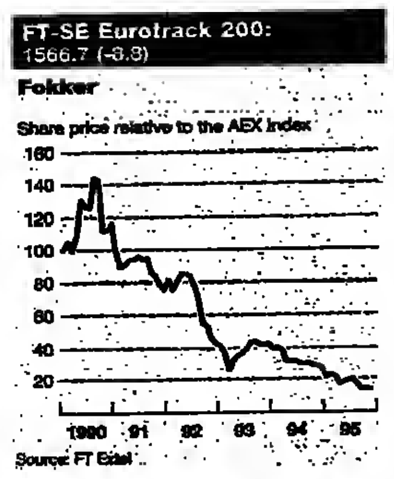
## THE LEX COLUMN

# Refuelling Fokker

Daimler-Benz's threat to let Fokker go bust if the Dutch government does not contribute to its rescue looks like a bluff designed to squeeze the maximum funds from the Dutch taxpayer. But Daimler shareholders would be delighted if it were not. The Dutch aircraft maker has been a source of financial misery ever since Daimler acquired its controlling staka in 1993. A capital injection would involve putting good money after bad.

The total amount needed would eventually exceed the Fl 2bn ($1.26bn) now being talked about, which would merely buy a few years' breathing space. Fokker's plight is even worse than the balance sheet, with its negative shareholders' funds, reveals. In addition to the Fl 3.2bn debts detailed, the company owes the government Fl 850m, which appears nowhere in the accounts. Meanwhile, one of Fokker's principal assets is its lease book, valued on the balance sheet at Fl 1.8bn. Observers believe the true worth is much less. The company also faces continuing operating losses and restructuring costs – between now and the end of 1996, analysts are pencilling in a total of Fl 1bn.

The financial case for allowing Fokker to go bust is strong. But the Dutch government has a political interest in keeping its indigenous aerospace industry aloft. Daimler too is not motivated purely by commercial considerations. Abandoning Fokker would involve huge loss of face, not least for Mr Jürgen Schrempp, the chairman, who was in charge of Daimler-Benz Aerospace when it acquired the Fokker stake.




## First Interstate

Yesterday's agreed counter-bid by First Bank System for First Interstate reflects the growing ardour with which medium-sized US commercial banks are courting new mates. That middle-ranking banks have to grow or be taken over has turned out to be a self-fulfilling prophecy. But the sight of pumped-up valuations may start to stir doubts about its wisdom.

First Bank's all-share offer values First Interstate at 2.75 times its book value, even more than Wells Fargo'a original bid of 2.6 times book value. Yet the annual cost savings estimated by First Bank are lower than for Wells Fargo – not surprising, given the smaller geographical overlap. Wells Fargo can afford to raise its original bid and is likely to do so.

None of this seems to matter too much now: the bids still make financial sense because theae are paper deals and merger speculation in the sector has also boosted the bidders' share prices. Even at these elevated levels, the First Bank deal would still be earnings-enhancing in 1997. But the cycle of cutting costs, generating capital, buying another bank and then cutting costs is likely to push bid prices even higher. Since most of the middle-ranking banks in play have already cut costs and face declining revenue growth, acquisition has become the only obvious way to boost earnings. This may justify their willingness to pay up in the short term. But it also suggests share prices will prove vulnerable when the cycle turns.

## Seeboard

Yesterday's agreed £1.6bn bid for Seeboard from Central and South West Corporation, the Texan utility which tried and failed to buy Norweb, sets yet another new record for the sector. North West Water, the previous record-bolder, can draw crumbs of comfort from the news: however much it paid, CSW has bid more for Seeboard. And the prospects for cutting costs are certainly greater at Norweb.

But CSW is not necessarily making a mistake. Tha company is confident that the deal will enhance earnings and the marginal fall in its share price yesterday suggests investors do not seriously disagree. Part of the reason is it will pay for the acquisition by borrowing: US utilities are much more tolerant of high levels of debt than their UK counterparts.

CSW'a investment may not lose it money but none of the regional electricity companies (recs) which are the subject of the long-running bid frenzy is likely to offer exciting returns. The distribution monopolies will not grow and the supply businesses, where margins are already tight, face strong competition in 1998. Recs like Seeboard will probably be up against big vertically integrated businesses with a much better feel for future electricity prices.

Ultimately, independent recs have to decide whether they want to compete or get ont of supply altogether and concentrate on distribution. Staying in supply will be the higher-risk option. Seeboard's aggressive plan to supply gas as well as electricity nationwide auggests it wants to take this route.

## British Airways

British Airways may be the world's favourite airline but it does not seem to enjoy the same status with the stock market. The company unveiled yet another set of record quarterly results yesterday, comfortably in line with expectations, only to see the share price fall. Nor is this just a blip: the shares have long traded at a discount to the market.

Investors are right to worry about the volatility of airlina earnings, which merits some discount to the market. There is a case for a re-rating: demand for air travel is growing faster than capacity. Consequently, BA is currently filling 77 per cent of its seats, a record level.

Less positive, though, is the news on costs. BA says it is on target to cut £150m of costs this year – but that is in relation to the budget. The small print of the results shows a 7.5 per cent increase in costs, which suggests that the budget was beading upwards. Some of the rise is explained by increased turnover, but by no means all: unit costs are up. The company will have to do better if it wants to keep its reputation for cost-cutting.

The market's main worry is still BA's atake in USAir. The risks may be overstated. USAir turned in a profit this quarter and bid talks offer the prospect that BA's £200m write-down on the investment may be reversed. The main danger is that BA will decide to take an expensive chunk of a large US airline to help cement a new transatlantic link. Given BA's investment record, it should think twice before leaping in.

Additional Lex comment on United Biscuits, Page 24

# Former S Korean president faces arrest on bribe charges

By John Burton in Seoul

Former South Korean president Rob Tae-woo is expected to be arrested for bribery once prosecutors complete an investigation into his $650m illegal slush fund, Mr Oh In-whan, the country's information minister, said yesterday. This would be an unprecedented legal act against an ex-head of state in Korea.

"In view of public opinion, we will have no choice but to put him in jail. Never have we seen a consensus of the people as solid as this," Mr Ob said.

South Korean prosecutors said they would question at least five or six business executives this week to determine whether they contributed to the slush fund.

The investigation appears to be concentrating mainly on construction companies which allegedly bribed the former president in return for gaining state contracts during his 1988-93 term. Otber companies mentioned include those thet won lucrative licences to enter the securities industry.

The arrest of Mr Roh would help mollify public anger and improve the standing of President Kim Young-sam's government, which is being criticised for allegedly limiting the scope of the investigation.

Opposition parties accuse it of trying to prevent the probe from unearthing evidence that President Kim used money from Mr Roh's slush fund to help finance his 1992 presidential campaign. Mr Kim denies the charge.

A government sponsored opinion survey disclosed that 51 per cent of the public believes the investigation is not being conducted in a thorongh manner despite promises by the president. Public anger was clearly apparent at the weekend in Seoul as bystanders jeered riot police as they clashed with students calling for Mr Roh's arrest.

Mr Chung Tae-soo, chairman of the Hanbo group, has so far been the only business executive interrogated by prosecutors. His group was involved in the construction of a state-sponsored apartment complex near Seoul.

Police continue to seek Mr Bae Jong-yul, former chairman of the Hanyang group, who went into hiding. Prosecutors want to ask him about a state contract that Hanyang received to build a liquefied natural gas facility.

Sonth Korea's ambassador to the US suggested Seoul will ask for the extradition of Mr Roh'a former national security adviser, Mr Kim Chong-whi, to belp an investigation into allegations of bribery involving purchase of F-16 fighters from the US.

Prosecutors are preparing a request to the Swiss government to discover wbether Mr Rob holds secret bank accounts there. They are also investigating whether he secretly bought office buildings in Seoul with slush funds and distributed them to family members.

Editorial Comment, Page 15

# World leaders pay tribute to Rabin

Continued from Page 1

last night beld bilateral meetings with many of tbe leaders but Israeli officials said one of the most important meetings was with Mr Youssef Bin Alawi, Omani foreign minister. Mr Alawi is the highest ranking Gulf Arab official to visit Israel, and Israeli officials were hoping the meeting might lead to an announcement that Oman would become the first Gulf state to establish diplomatic relations.

Israel'a financial markets, which slid by 3 per cent on Sunday after the assassination, recovered slightly yesterday. The benchmark Mishtanim index of the top 100 blue chip shares rose 2.06 points, or 1.1 per cent, to 185.93 before trading ended early in honour of the funeral.

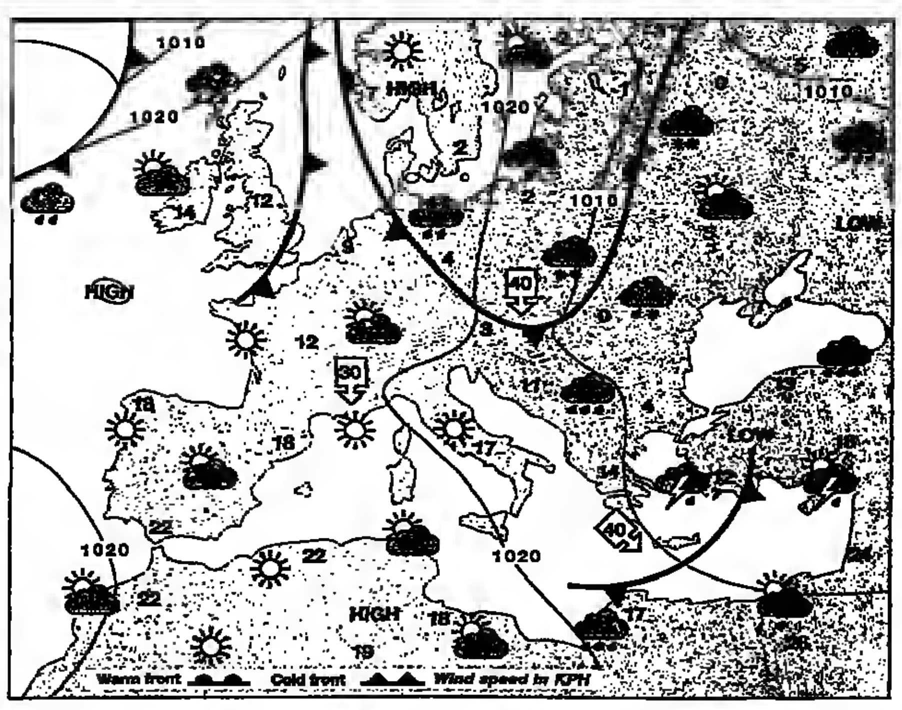
## FT WEATHER GUIDE

### Europe today

High pressure over southern Scandinavia will give abundant sun in southern Norway and Sweden. Most of Belgium, France and Spain will also be sunny owing to another area of high pressure west of France. In spite of this, a frontal zone will linger over the Netherlands and parts of Germany, causing drizzle and patchy rain. The Alps may have some rain. An active front will mark a significant difference in temperature between western Russia and south-eastern Europe. The front will also cause abundant cloud and rain from the former Yugoslavia across Turkey into western Russia. Further north, rain will turn to snow. There will be snow showers in a zone from Latvia to Poland and into Hungary.

### Five-day forecast

Western Russia and Turkey will remain unsettled with cloud and rain. Another frontal zone will reach the UK tomorrow and will cause unsettled condititons. It will be mainly dry but cloudy along the north-west coast with some sunny spells throughout Friday. High pressure will move further into the continent giving mostly sunny and dry conditions in central and eastern Europe.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 29 |
| Accra | thund | 31 |
| Algiers | fair | 21 |
| Amsterdam | cloudy | 9 |
| Athens | fair | 11 |
| Atlanta | shower | 21 |
| B. Aires | fair | 36 |
| B.ham | cloudy | 12 |
| Bangkok | fair | 31 |
| Barcelona | sun | 18 |
| Beijing | sun | 14 |
| Belfast | drzzl | 12 |
| Belgrade | rain | 3 |
| Berlin | fair | 8 |
| Bermuda | shower | 24 |
| Bogota | fair | 20 |
| Bombay | fair | 33 |
| Brussels | sun | 8 |
| Budapest | rain | 8 |
| C.hagen | sun | 4 |
| Cairo | thund | 24 |
| Cape Town | sun | 21 |
| Caracas | cloudy | 30 |
| Cardiff | fair | 13 |
| Casablanca | cloudy | 23 |
| Chicago | shower | 4 |
| Cologne | cloudy | 5 |
| Dakar | sun | 32 |
| Dallas | fair | 23 |
| Delhi | fair | 31 |
| Dubai | sun | 32 |
| Dublin | fair | 13 |
| Dubrovnik | fair | 11 |
| Edinburgh | sun | 12 |
| Faro | fair | 21 |
| Frankfurt | cloudy | 7 |
| Geneva | sun | 9 |
| Gibraltar | shower | 19 |
| Glasgow | drzzl | 13 |
| Hamburg | cloudy | 8 |
| Helsinki | fair | -3 |
| Hong Kong | fair | 22 |
| Honolulu | fair | 29 |
| Istanbul | rain | 9 |
| Jakarta | cloudy | 32 |
| Jersey | sun | 12 |
| Karachi | fair | 32 |
| Kuwait | sun | 30 |
| L. Angeles | cloudy | 24 |
| Las Palmas | rain | 24 |
| Lima | cloudy | 22 |
| Lisbon | fair | 18 |
| London | fair | 12 |
| Lux.bourg | sun | 8 |
| Lyon | sun | 12 |
| Madeira | rain | 21 |
| Madrid | fair | 17 |
| Majorca | sun | 20 |
| Malta | shower | 18 |
| Manchester | cloudy | 13 |
| Manila | shower | 32 |
| Melbourne | shower | 18 |
| Mexico City | fair | 23 |
| Miami | fair | 29 |
| Milan | sun | 13 |
| Montreal | rain | 8 |
| Moscow | snow | -2 |
| Munich | fair | 4 |
| Nairobi | shower | 27 |
| Naples | sun | 15 |
| Nassau | fair | 29 |
| New York | rain | 15 |
| Nice | sun | 17 |
| Nicosia | shower | 19 |
| Oslo | sun | -2 |
| Paris | sun | 10 |
| Perth | fair | 22 |
| Prague | rain | 4 |
| Rangoon | fair | 32 |
| Reykjavik | rain | 8 |
| Rio | fair | 27 |
| Rome | sun | 17 |
| S. Frsco | sun | 18 |
| Seoul | fair | 10 |
| Singapore | thund | 31 |
| Stockholm | sun | 0 |
| Strasbourg | sun | 6 |
| Sydney | fair | 23 |
| Tangier | rain | 21 |
| Tel Aviv | thund | 25 |
| Tokyo | rain | 22 |
| Toronto | shower | 10 |
| Vancouver | shower | 7 |
| Venice | fair | 10 |
| Vienna | rain | 8 |
| Warsaw | fair | 3 |
| Washington | rain | 15 |
| Wellington | sun | 18 |
| Winnipeg | fair | -7 |
| Zurich | sun | 8 |





هكذا من الأصل

# BERMUDA

## Political uncertainty unsettles paradise

**The independence debate and changing economic demands have set a new agenda. Ralph Atkins examines its implications**

Even paradise has its upsets. As the tiny mid-Atlantic resort of Bermuda braced itself this August against the angry winds of Hurricane Felix, a fractious and prolonged debate on independence from the UK reached its climax.

In the referendum called by Sir John Swan, former premier, Bermuda finally rejected breaking the link with Britain – but not before a period of uncertainty that threatened to undermine the island's long-cherished political stability.

Now Bermuda is looking for clear blue skies again. Strategic thinking is needed on a number of fronts. The island's reputation as the playground of honeymooners and the rich is challenged by competing tourist resorts. US, Canadian and UK military bases, closed by the end of the Cold War and accounting for 10 per cent of the country's land mass, have to be assimilated into Bermuda's economy.

New areas of growth are being sought for offshore businesses, without hitting the physical constraints of a 21 square mile territory, 600 miles from anywhere else, and without damaging its reputation for financial security and probity.

Answers are not yet forthcoming. Gone is the charismatic Sir John who, in more than a decade as premier, successfully kept the United Bermuda Party (UBP) in power by appealing both to the majority black population from which he came and the business community on which Bermuda's extraordinary wealth is founded. Sir John resigned after losing the independence campaign he spearheaded, the referendum turning in 16,369 votes against and only 5,714 in favour.

In his place is the former finance minister, Mr David Saul. Mr Saul's priority has been to reunite the United Bermuda Party. A caucus that divided over independence, the UBP saw its credibility as a party that would not gamble with the island's prosperity undermined by Sir John's campaign. Lapping at the new premier's feet is a newly confident Progressive Labour Party, scenting electoral victory for the first time since its birth in the 1960s when fully democratic government was introduced.

Mr Saul at least has time on his side. The next election need not be held until October 1998. It is true, too, that business or tourist visitors would hardly believe times were tempestuous. Hurricane Felix, its force artificially magnified in the eyes of the world by its arrival on the eve of the independence referendum, lost much of its momentum before hitting the islands. Physical damage is estimated to have cost about $1m and the knock-on effect on tourism – many visitors cancelled trips – is put at one or two million dollars.

The independence question has also subsided as an issue and is unlikely to be revived before the next election. The insurance sector, which now includes some of the biggest property catastrophe reinsurers protecting conventional insurers against natural disasters, is increasing its clout on the world stage and enhancing Bermuda's reputation for innovation in financial services. Overall, international business now accounts for a bigger share of national income than tourism.

There are also new opportunities. One is thrown up by Hong Kong's reversion to Chinese rule in 1997. That will leave Bermuda (population 60,000) the UK's largest remaining colony and possibly re-ignite the independence debate. But Bermudians have their eye on another statistic. Half the companies on Hong Kong's stock exchange are Bermuda-registered. Persuading even a few to switch to Bermuda's new exchange would further boost the island's importance in international business.

Bermuda's leaders also try to see the returned military bases as an asset. They certainly ease one of the island's natural constraints – shortage of land. There are penalties – the airport's annual running costs of about $18m, plus an additional $3m in capital spending, resulted in an almost equivalent increase in tax on businesses and individuals in February's budget – but the long-term pay off could be substantial. "The return of the base lands is the biggest gold mine we have had," says Mr Saul. "It makes the Louisiana purchase in the US pale."

Draft plans for reusing the land are under consideration by a network of committees that straddle the government and business communities in Bermuda's traditional consensual political system. The omens are not necessarily good; a plan to build a $150m Bermuda financial centre, including offices and much-needed business hotel accommodation in the capital, Hamilton, has been delayed through lack of investor interest.

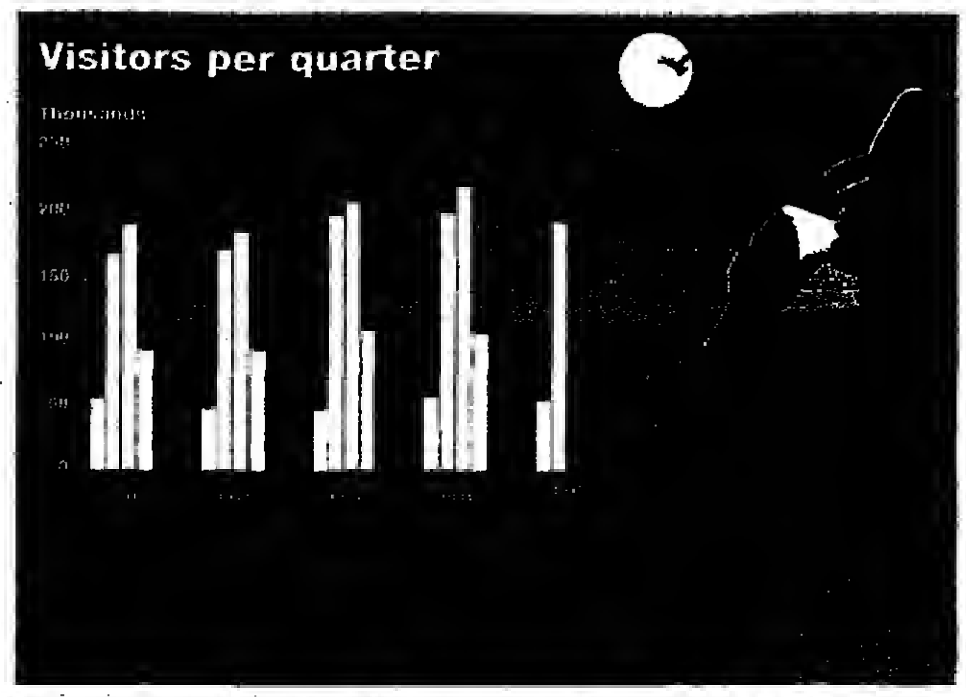
It is important, however, to put the scheme in context. The financial centre was pitched at a time when world property prices were under pressure and Bermuda's independence debate was at its fiercest. It also had to fit with local planning regulations in a relatively crowded capital. The bases project, on the other hand, is far more imaginative. Rules on property use, leases, as well as other tax and regulatory issues could all be amended within Bermuda's easily adaptable legislative framework.

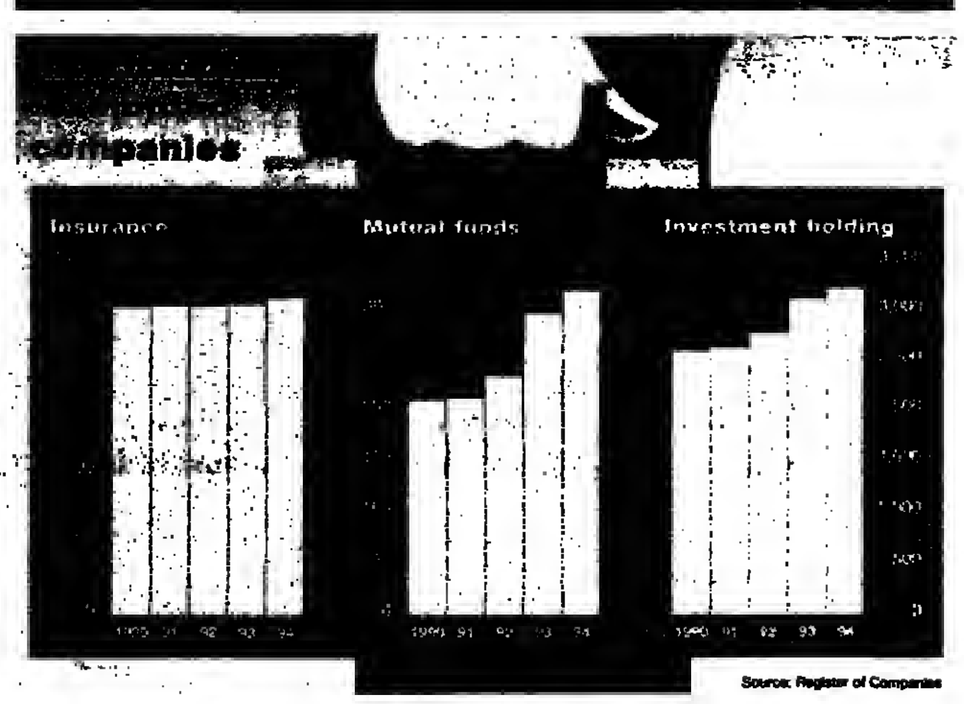
Redeveloping the bases could also expand Bermuda's economic strengths beyond the two traditional pillars – financial services and tourism. Lord Young, chairman of Cable & Wireless, and John Sculley, former chief executive of Apple Computer, have been among those involved in discussions about developing a "silicon beach", harnessing computer and communications technology to develop the island as a location for a new generation of companies.

One idea is that Bermuda's proximity to the US, its sympathetic regulatory environment and its tax breaks would make it attractive to data repositories storing music, films and other intellectual property.

In turn, that would require Bermuda to address another issue: the extent to which it needs to liberalise its telecommunications sector to cut the cost of calls. Under the current system – to which a local company handles calls on the island and Cable & Wireless has control over international dialling – local calls are subsidised by longer distance communications.

Reappraising long-standing practices might have widely-felt beneficial side effects. In tourism, Bermuda is having to address the challenges of a fiercely competitive world tourism market.




Source: Register of Companies

With its pink-hibiscus lined roads, low-level luxury housing, and sweeping clean and uncrowded beaches, the island remains idyllic. But the tourist product is having to be rethought. Visitors are less interested in sunbathing. They may also be less inclined to see British-inspired quaintness as attractive if it means restricted bank opening hours, uninspired hotel service and facilities no better than other – cheaper – tourist destinations.

An increased emphasis on Bermuda as a sporting and activity centre is likely. The former air bases might, the government says, also offer an opportunity to redevelop tourism. Some of the extra land available has been earmarked for developments such as a championship-standard golf course and "cottage colonies" of high-quality tourist accommodation geared to, say, golfing holidays or water sports.

A different set of issues has to be addressed in developing financial services. Unlike tourism, the sector seems to offer plenty of room for growth. Bermuda's status as a tax-free haven and its accommodating regulatory style, based on the principle of only admitting the best companies and relying largely on auditors and others to report transgressions, will continue to hold attractions, particularly for the "exempt" or foreign-owned companies.

As Mr Michael Butt, chief executive of Mid Ocean, one of the new generation of Bermuda-based reinsurers, argues: "The mobility of capital, which is now an accepted fact, has not yet made its mark fully. There will be other industries which, like the reinsurance industry when it needed capital, will find a place to Bermuda."

Still with some way to grow is the mutual fund industry. There are also hopes of developing Bermuda as a capital market, largely by increasing the liquidity of the island's stock exchange and introducing a full-blown trading system. Meanwhile, the insurance market is diversifying, coming close to creating a comprehensive market for underwriting the world's biggest risks.

Nevertheless, continuing growth in the financial services industry will require careful stewardship. The funds Bermuda has attracted into offshore businesses have travelled easily, and have gone into generally capital intensive rather than labour intensive industries. (The island's small size prevents the growth of any industry requiring a large workforce.) But capital that can flow in easily, can flow as easily in the opposite direction.

With the debate on independence threatening to divert investment to other destinations, including the Cayman Islands in the Caribbean, the emphasis has to be on promoting Bermuda's political stability. It also has to be on further improving Bermuda's attraction as a business centre. Even if the military bases need substantial public investment, that will require the government to keep in check the burden it imposes on industry.

The political and meteorological storms may have abated but Bermuda cannot afford to stand still.

### IN THIS SURVEY

● A "captive" audience? Why Bermuda's role as a premier location for insurance captives may be under threat **Page 2**

● Paradise reappraised: the tourist office is changing direction in an attempt to lure a different type of visitor **Page 3**

● The great asset race: much of the $70bn held on insurance companies' balance sheets is currently managed off the island. A look at efforts to bring it home **Page 4**

● Smooth operator at the sharp end; a profile of Mr David Saul, new leader of the ruling United Bermuda Party **Page 5**

● Life's a beach: after a few years in residence, the island's charms can begin to pall. What Bermudians do when claustrophobia strikes **Page 6**

■ **The economy:** by Ralph Atkins

# Hopes rest on foreign businesses

## The government believes new investors will secure continued economic strength

Like many western countries, Bermuda has been on something of an economic roller-coaster.

After strong growth in the 1980s, the early 1990s saw a sharp correction. But by 1993-94, the economy was surging ahead again – growing by nearly 6 per cent on the back of increased spending by tourists and international companies. More recently, the growth rate has slowed – perhaps to about half the 1993-94 figure.

Bermuda is now – not for the first time – trying to identify the areas that will sustain the economy in the future. The island has few natural resources, while its small population and high standard of living mean the cost of labour is high.

A big asset is natural beauty. Bermuda's warm climate, quiet beaches, and hibiscus-lined streets have traditionally made it the classic "get away from it all" holiday destination. But, in a significant development, tourism's importance to the economy has been overtaken in recent years by international companies. If the services provided by local businesses to foreign-owned enterprises are included, these now account for a larger share of national income.

The return of US and Canadian military bases in the past few years means the island may now have more sites to offer international businesses. Mr Andrew Sykes, economic adviser at the ministry of finance, says: "Bermuda has historically been constrained by its geographical size. Now it's getting back 10 per cent of its land, so that, quite powerful, supply-side constraint is being relaxed."

However, it is likely to be some time before the bases are transferred to alternative uses. At the moment, plans are only at the discussion stage. In the interim, Bermuda is being hit by the cost of running the airport itself and the loss of local spending by those previously working on the bases.

That means the island will have to rely on other attributes. Best known are its tax breaks. These leave it free of income and capital gains tax. Instead, a series of "charges", including a payroll tax and customs duties on many goods coming on to the island, provide government revenue.

In February's budget, Mr David Saul, then finance minister, sought to raise an extra $20m but, as a percentage of Gross Domestic Product, taxation still hovers about 20 per cent.

Another important attribute for international financial services companies is Bermuda's regulatory system. Unlike that in the US, the regulatory apparatus, devised over several decades, is based on making sure that those who are in a position to know when problems might be occurring – auditors or managers – tell the relevant authorities in good time. Onerous bureaucracy is avoided.

Mr Kymn Astwood, the registrar of companies, with responsibility for insurance regulation, describes the system as one of "shared regulation – where the government works in partnership with the private sector".

He explains: "In the early days of Bermuda's insurance industry, a conscious decision was made to avoid a huge bureaucracy on the regulatory side."

For example, insurers must appoint a principal representative responsible for reporting problems. The incentives for doing so are strong: failure to comply with the regulation can result in a fine and prison term. "It is a unique system – and that is one reason why, at times, it is unfairly criticised," Mr Astwood adds.

There is also a network of consultative committees designed, in part, to alert the government to potential problems.

Similarly, at the Bermuda Monetary Authority, responsible for overseeing banks, the stock exchange and mutual funds, the emphasis is on a partnership between the private sector and the government. Its methods rely, to a large extent, on obliging auditors to highlight problem areas.

> The return of the military bases has eased land constraints

The big advantage of such systems of regulation is that few employees are required by the authorities. But, according to Mr Mansfield Brock, chairman of the monetary authority, they are effective both at protecting customers and Bermuda's reputation. "The system works a lot better than a big bureaucracy that tries to do it all itself," he says.

"Partnerships" also provide a two-way channel whereby government and companies can communicate – a factor that many on the island say has added to the sector's prosperity.

It has to be remembered, however, that these are relatively good times for Bermuda's financial companies. The real test of the system will come if one of the big companies begins to face troubles in a less favourable environment.

■ **Insurance:** by Ralph Atkins

# 'Fix-it' sector enjoys new strength

## Few companies do so well out of international crises as the Bermudian reinsurers

After a period of rapid growth, Bermuda's insurers are pausing for breath. But few expect the industry, which includes some of the youngest but biggest insurance companies in the world, to rest for long.

A flood of capital into Bermuda's property catastrophe reinsurers pushed the sector's capital base close to $30bn by last year. That gave Bermuda considerable clout in the world insurance market where sometimes it has a market share in excess of 20 per cent.

The inflow of capital has slowed in 1995, largely because the international insurance industry has reached a cyclical peak, and the demand pressures that led to the creation of Bermuda's property catastrophe reinsurers have eased.

World premium rates are falling and this year has seen a particularly active hurricane season in the Caribbean and US; both factors that will eat into Bermuda insurers' profits.

But the influence the island exerts internationally has kept local confidence high. The insurance industry is building its book of business, broadening its product range. Cost efficiency – helped, of course, by low taxes and an undemanding regulatory environment – will continue to provide a substantial competitive advantage.

**Bermuda catastrophe reinsurers – first half-year 1995, $m**

| Company | Equity | Premiums | Net income |
|---|---|---|---|
| PartnerRe | 1,198 | 198 | 110 |
| Mid Ocean Re | 920 | 350 | 74 |
| Tempest Re | 642 | 141 | 60 |
| Global Capital Re | 477 | 113 | 48 |
| LaSalle Re | 466 | 164 | 67 |
| Renaissance Re | 350 | 196 | 89 |
| IPC Re | 393 | 73 | 27 |
| Centre Cat | 337 | 94 | 17 |

Source: PartnerRe

Bermuda's success, was slow in the making. The island has since the 1960s been an important centre for "captives" – insurance companies set up by ordinary companies or institutions to provide dedicated insurance cover for the risks associated with their business. The mid-1980s saw the establishment of companies specialising in North American liability insurance, offering, for example, protection against risks associated with faulty products.

But it was not until the early 1990s that a series of natural catastrophes around the world led to the birth of the big, billion-dollar property catastrophe reinsurers.

Local estimates suggest that last year the property catastrophe reinsurers accounted for about $4.5bn of Bermudian insurers' combined $29bn capital and surplus (total investment plus profits put back into the business). The large liability insurers accounted for about $6bn and captives about $12bn, with other commercial and specialised insurers responsible for the remainder.

The ratio of insurance premiums to equity underwritten by the island's insurers is low by international standards. But, helped by the world insurance industry's profitability, returns to shareholders have been impressive. Mr Herbert Haag, chief executive of PartnerRe, the property catastrophe reinsurer, says: "Practically every reinsurer in Bermuda has exceeded the expectations of shareholders."

Mr Haag argues that premium figures are misleading because Bermuda's insurers are establishing new ways of doing business. The island's insurers often shun buying reinsurance for themselves because of the cost of the premiums and the risk of those charging them going out of business. That means Bermuda's insurers keep the volume of business they write low in relation to their equity – but can earn higher profits.

As part of the attempt to shake up traditional reinsurance practices, PartnerRe seeks out the higher margin business, including underwriting policies that could see it paying out up to $500m in one go as part of a careful strategy of balancing risks against rewards. It has set a target of a 15 per cent return on equity, which would make it among the world's most profitable insurers.

It is playing a longer term game, expecting additional market opportunities in years ahead. "We believe strongly that there will be catastrophes that will shake out again the [world] insurance and reinsurance markets. We need a cautious, conservative approach to our business to be ready for those events," says Mr Haag.

PartnerRe is unusual in Bermuda in resisting pressure to build its book of business by diversifying. In contrast, Mid Ocean has set up a London branch to build its marine, energy and aviation reinsurance business. Ace, one of the large liability insurers, is expanding into the high margin, high-volatility satellite insurance business.

Mr Michael Butt, chief executive of Mid Ocean, sees other signs of the market becoming established – notably, a number of share placings in the US over the past year and other adjustments to capital bases. Mid Ocean has bought some of its shares back. Global Capital Re and LaSalle Re, two of the island's property catastrophe reinsurers, have recently announced Initial Public Offerings (IPOs), increasing the number of publicly traded Bermuda-based insurers to eight.

Since businesses associated with insurance – including broking, risk management, accountancy and banking services – have also grown, Bermuda is becoming more of a complete insurance trading centre, although one specialising in big commercial risks rather than higher volume, smaller value business. "There is a market developing here," says Mr Butt. "You have only to look at British Airways reservations."

This maturing is likely to lead to further diversification. Bermuda is also becoming a centre for researching and developing some of the world's more esoteric insurance and reinsurance products. These combine risk transfer with investment management by, for example, paying a return on policy premiums to provide a guaranteed cushion against natural disasters.

Recently, there has also been a move towards "securitisation" of reinsurance. This involves developing financial products that meet the needs of insurance companies for protection against big losses but can be translated into instruments to sell to investors in a tradeable form. Such schemes should boost the underwriting capacity in the world reinsurance industry.

Bermuda has grown in the past by meeting demands that other markets could not fulfil – for instance that for US liability insurance during the 1980s. Future development could come from other, as yet unforeseen, needs.

As Mr Haag of PartnerRe says: "Bermuda will be ever ready when there is an opportunity. It has done it in the past and will do it in the future. I can't tell you what the next crisis will be... but Bermuda has created an environment where, if anything needs to be fixed, they will do it."

# New York chases 'captives'

**Capturing the "captive" insurance company business has, since the 1960s, been an important part of Bermuda's success in developing financial services.**

**But other locations are chasing some of the capital flowing into these dedicated insurers, which are set up by general companies or other organisations to provide policies for the parent.**

**Since the 1960s, the number of captives in Bermuda has grown to about 1,300 out of a world total of some 3,400. More than 50 have been set up on the island each year for the past decade.**

**The island has particular advantages: a low-tax regime that allows reserves to be built-up efficiently and a regulatory environment that lets captives be set up with relative ease. The availability of local expertise means captives can be run at low cost, typically by a management company based on the island.**

**The island's hold on the sector, however, may be under threat. Notable among potential rivals is New York state, which, under the new Republican governor, Mr George Pataki, is trying to attract captives. New York's motives are to stop capital flowing offshore, help businesses by letting them set up cost-efficient captives nearer their headquarters, and boost the state insurance industry. Proposals are expected to be submitted to the state legislature in January, possibly for approval soon after.**

**In doing so, New York would not only be trying to rival Bermuda, but also other US mainland locations such as Vermont and "off-shore" centres such as the Channel Islands and the Cayman Islands – all of which have favourable regulatory environments.**

**Mr John Calagna, spokesman at the New York state insurance department, says: "We are not trying to get them to move from Bermuda to New York or even from Vermont to New York... But if companies are thinking of setting up captives, we want them to think of New York."**

**Mr Calagna hints New York is prepared to go some way towards matching the tax advantages of Bermuda and talks are taking place with the state's tax authorities.**

**The effect on Bermuda is hard to gauge. Mr Dennis Higginbottom, president of the Bermuda Insurance Management Association, says the island remains uniquely accommodating to the insurers' needs. "Have you ever tried to get someone's attention in New York to solve your problem? It is very easy to do it in Bermuda. Unless New York can do something very significant, I don't see what else it would have to offer."**

**He anyway foresees continuing growth in the number of captives around the world. "There is enough business to share."**

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**Tourism:** by Lisa Bransten

# Wooing the soft adventurer

## Faced with declining figures, the tourist office is having to change its strategy

A range of brochures in the Hamilton headquarters of the Bank of Bermuda has an unusual mix of offerings. Alongside the ministry of tourism's pink "Bermuda: Travel Tips" pamphlet is the Bermuda Trust Company's guide "Estate Settlement: Take Stock of Your Assets".

In certain respects, the twin pillars of Bermuda's economy – tourism and international "exempted" companies – compete for attention from both the public and private sector. And, until recently, the focus seems to have heen on the booming financial services sector.

After all, for the better part of 50 years Bermnda'e pink sand beaches and translucent weters have heen enough to lure visitors with little government assistance.

Mr David Allen, the shadow minister of tourism from the opposition Progressive Labour Party, says tbe ministry of tourism "had been asleep et the wheel for years in terms of updating Bermuda's image".

"The British colonial image served for a while, hut it allowed us to become stereotyped as sort of stuffy. In all those commercials with tee cups and town criers all that was missing was the rocking chair," be says.

Mr David Saul, the island's new premier and former finance minister, is not as blunt in his assessment, but he is now promising e shake up that, he hopes, will pnt renewed attention on the island's tourism sector.

As a first step he has appointed Mr David Dodwell – a novice politician, but a veteran hotelier – to head the ministry of tourism. Mr Dodwell – who took up his post on September 1 – has only served in Parliament since 1993, but the energetic, native Bermudian has spent more than two decades running one of the island's more successful smaller hotels. He ettributes the island'e loss of visitors to increasing competition from other vacation areas – ranging from the Caribbean islands thet compete directly for sun worshipping vacationers, to new mainstream tourist destinations in eastern Europe and South Africa.

After reaching a peak of 631,314 in 1987, the number of annual visitors fell to 506,237 in 1991, hampered hy the outbreak of the Persian Gulf War and the recession in the US. In 1994, arrivals climbed to 589,855, hut through June of this year they slipped 3.4 per cent. The stormiest summer in recent memory has not helped.

Many claim that Bermuda is a victim of its own success. High labour and infrastructure costs mean that a room at a resort hotel averages about $190 in the high season. Even so, most of the island's big hotels have trouble turning profits.

Bermnda's eight higgest hotels managed to break even last year, posting a collective profit of $5.8m, after six consecutive years of losses. Figures for this year have not been released, but Mr Stephen Barker, who runs the island's two Princess hotels and is president of the Bermuda Hotel Association, says he expects another break-even year, even though visitor arrivals may be off last year's levels.

Given the island's high level of per capita income and cost of living, lowering costs would be difficult, says Mr Dodwell, so the emphasis is now on delivering more "bang for the buck" in terms of service and activities.

One of his priorities is to start a tourism awareness class in local schools to make sure that visitors feel welcome on the island.

He also wants to get the word out that there is more to Bermnda than swimming, tennis and golf.

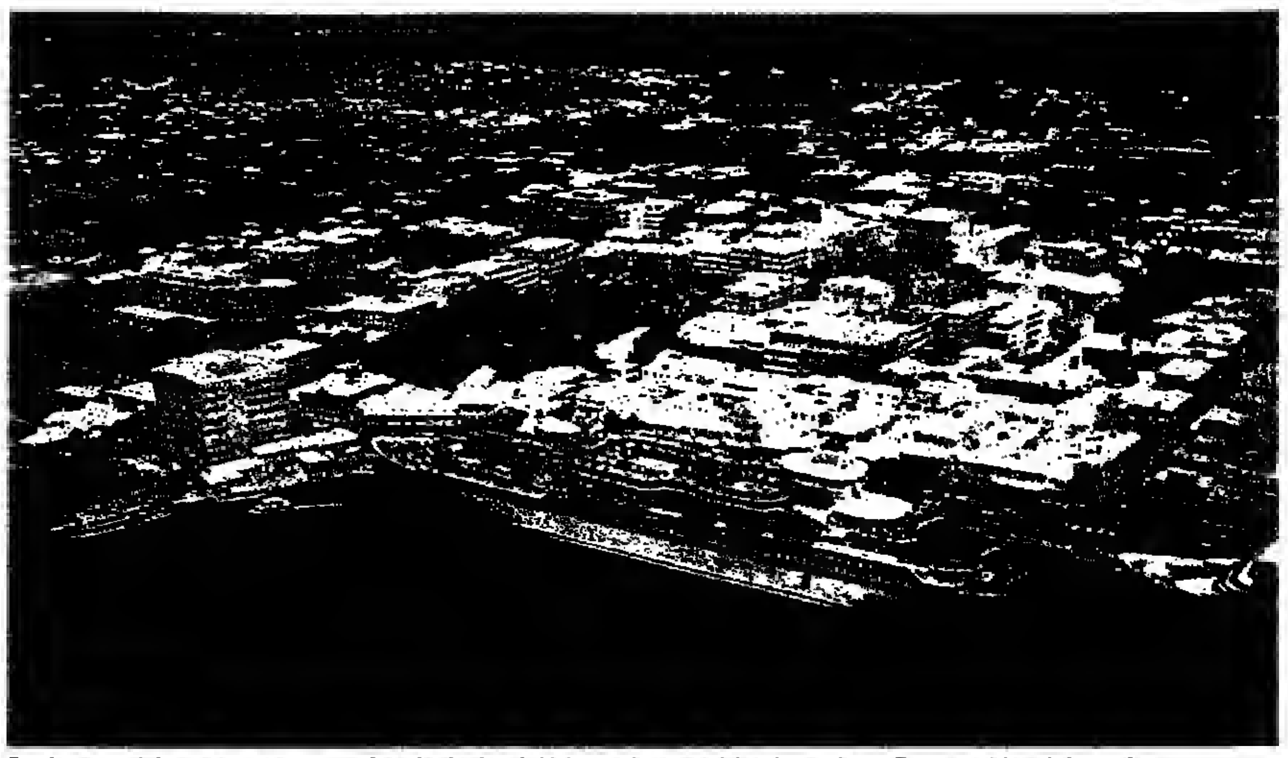
Many of the vacationers Bermuda is hoping to attract are looking for "soft adventure", hoping to participate in stimulating or educational activities hy day and then return to a comfortable hotel room by night. Consequently, the island is promoting activities snch as sailing, kyacking and fishing. Scuba diving around the more than 300 sunken ships that surround the island is also being plugged.

At the same time, Mr Dodwell hopes to encourage the private sector to develop new ectivities. The dolphin habitat that the Southhampton Princess hotel is now building is a prime example of the "soft adventure" approach. Visitors will be able to enter the habitat with a guide and wade among dolphins in three acres of fenced off water.

The most immediate focus, however, is on promoting Bermuda as a place to relax in the winter. Last month, the government launched an advertising campaign in the US that urged people to "bask in a different kind of warmth" from November to March. During those months, the everage temperature is about 70 degrees – a bit cool for the beach, but comfortable for tennis and golf – and the everage tariff at the biggest hotels slips to about $110 a room.

As an incentive for winter travellers, all the larger hotels and some of the smaller hotels and colony clubs are promising not to charge guests for any day on which the temperature slips below 68 degrees.

Another goal is to increase the number of European visitors to the island. Because of its location 600 miles off the coast of North Carolina, Bermuda's visitors have been mostly from the US and Canada. Five years ago, the island began promoting itself to travel agents in German-speaking countries, and, this May, Condor airlines began offering e direct flight from Frankfurt once e week.



Port in a storm? Competition from new holiday destinations is hitting the island hard, but the number of European visitors is increasing

Last year, about 10 per cent of the island's visitors came from the UK – British Airways runs four flights from London a week – and mainland Europe. The continent presents a growth opportunity for the tourist industry. In early 1996, Bermuda's European tourism office will begin to promote the island to Italian tourists. "What's conditioned our thinking is looking at predictions of bow each country's expenditure on tourism is going to grow," says Mr Derek Brightwell, director of the European tourism office. "Tourism expenditure in Italy is growing at 10 per cent a year."

Does Bermuda have the capacity for many new visitors? Business accommodation can certainly be a problem (see guide, page 6). The Hamilton Princess's 417 rooms are usually enough to serve the business community. If there is a conference in town, however, business travellers have few other choices in Hamilton, and plans to convert the downtown Bermndiana Hotel – which was shuttered in 1988 – into a 330-room business hotel have fallen through.

Like any good opposition party member, Mr Allen expresses scepticism that Mr Dodwell can completely overhaul the tourism sector, but he concedes that there has been some change for the better. "I don't know whether he has the total vision, but I think he does have some good ideas," he says.

**Banking:** by Lisa Bransten

# Competition forces shake-up

## Repositioning and new rivals make these interesting times for the island's banks

The fect that all three of Bermuda's hanks reported record profits in 1994 belies the fact that in many ways last year was e difficult one for the island's banking sector.

Both the hig two – the Bank of Bermuda and the Bank of Butterfield – fell off the double digit pace of earnings growth registered earlier this decade. Last year, earnings et the Bank of Bermnds increased 3 per cent to $42.2m, while profits at the Bank of Butterfield grew 4 per cent to $31.3m. The slower pace was attributable to a difficult global envirunment and the need to spend money on staff and systems to help prepare for foreign competition.

At the island's third institution, Bermnda Commerical Bank, the story, however, was quite different. In many ways, the young upstart of the sector, the 26-year-old BCB, seems to be coming of age. The turning point came in May 1993, when Barclays, the UK group, sold its stake in the struggling bank to First Curacao International Bank. BCB immediately began to reshape itself as a specialist serving local institutions.

> Mr Saul does not want total openness, but deregulation is inevitable

Last year, net income at the hank jumped 101 per cent to $1m and this year it is expected to increase 70 per cent to $1.7m. Assets under administration have risen from $800m to $4bn in the past four years.

Given the $1.9m loss BCB posted in 1991, the achievement is remarkable. Set up in 1969 as the island's only black-owned bank to serve people of limited means, Bermuda Commercial has come full circle.

"There is enormous irony in the sense that we were the common person's bank and have now become the niche institutional bank, but we've proved against ell odds that stereotypes don't fit," says Ms Audette Exel, BCB's chief executive.

Last month, BCB finalised a joint venture with Merrill Lynch Asset Management – an arm of the US investment bank – that will compete with the two big banks and others for the management of some of the $70bn in assets controlled by local insurers.

In fact, it is the entry of foreign institutions such as Merrill thet has the Bank of Bermuda and the Bank of Bntterfield gearing up for increased competition.

Bermuda is unique among offshore jurisdictions in that it has an indigenous banking system and does not allow banks that are more than 40 per cent foreign-owned to operate on the island. Its banks make only a fraction of their income from retail banking. Instead, most of their profits come from services such as trust and fund administration, global custody, and advisory services to the world's offshore capital pools.

In 1991, the government allowed foreign banks to enter the offshore trust business. The effect has been profound. The number of local trusts has jumped from six that year to 34 this. The move met with many objections from the native banks, but Mr Michael Collier, president of the Bank of Butterfield, says his bank has benefited from the new business brought to Bermuda by the foreign trust companies. He says, however, that the henefits have not been as great as the advocates of liheralisation expected.

The big question now is whether the government will open up new areas of the bank's husiness – and ultimately all banking services – to foreign competition. It is an issue that has gained currency since Mr David Saul – who as finance minister played an instrumental part in opening up the trust sector – became premier.

Mr Saul is frank about his desire to see Bermuda's economy continue to be liberalised. He believes foreign institutions will bring more business to the island, not take it from the local banks.

Although he is not in favour of complete openness, more deregulation is probably inevitable. "It seems to me that the natural evolntion would be in that direction," says Mr Charles Vaughan-Johnson, chief executive of the Bank of Bermuda. "The question is, whether it is five years or 10 years or 20 years away."

So both the Bank of Bermuda and the Bank of Butterfield are focusing on how to compete in the future. Butterfield, for example, has hired more staff for its investment management group to rival the likes of the BCB-Merrill Lynch joint venture directly. It is also slowly huilding its international business.

The Bank of Bermuda has moved much more quickly in the international arena. Last year, half of its profits were generated by its overseas offices and half of those came from Asia.

And Mr Vaughan-Johnson believes it is a trend that will continne as the hank scours the world for new markets for its specialised skills. "We feed off international capital flows and they tend not to come from the northern hemisphere," he says.

The Hong Kong stock exchange: the BSX is hoping for secondary listings from some of the Bermudian companies trading on it *Glyn Genin*

■ **The stock exchange:** by Lisa Branston

# Market aims for the big time

## A series of changes is designed to make the BSX a leading offshore trading centre

At the moment, the local stock market report still makes for a charming addition to Bermuda's evening news: on a recent Thursday, three companies saw shares change hands, bringing overall volume to 1,723 shares.

But in the past year, officials and business leaders on the island have made changes that they hope will turn the local market into the offshore centre for the Western hemisphere.

"It's like laying the foundation to build a house," says Ms Audette Exel, chief executive officer of Bermuda Commercial Bank and chairwoman of the stock exchange.

Ask anyone working with the stock exchange about its future possibilities and their imaginations run wild.

Mr Peter Mellor, senior vice president for investments with the Bank of Bermuda, is typical. He believes that boundaryless concerns such as telecommunications groups could use the BSX as a vehicle for tapping the vast amounts of capital that have moved offshore in recent years.

"The money's offshore and it wishes to buy goods and services offshore so there is a synergy there," he says. "You've got to bake a new cake here with new ingredients and new catalysts."

Immediate plans for the exchange are somewhat more modest. It has, however, come a long way from the days when the island's three banks drew numbered ping pong balls to determine the order of trading at the exchange's weekly session.

"We've got to live that one down," laughs Mr William Woods, the chief executive of the BSX, who arrived on the island in August after spending two years helping the Hong Kong Stock exchange develop strategy.

Certainly, the old image of Bermudian trading is no longer justified. In 1992 trading moved to daily one-hour sessions and the exchange, known as BSX, was incorporated as a limited corporation owned by Bermuda's three commercial banks.

Just last month the BSX expanded its ownership to include four trading members who now hold 15 per cent of the company, and began electronic trading, replacing a paper-based system with one that uses Bloomberg Financial Markets terminals.

Among the securities Mr Woods believes could be traded in Bermuda are Eurobond-style global bonds and secondary listings for locally incorporated companies that are already on the Hong Kong, New York, London or other fully regulated exchanges.

One of the most popular statistics making the rounds in Bermuda is that about half the companies listed on the Hong Kong stock exchange are incorporated in Bermuda. They – along with the dozens of Bermuda-based insurers – will be among Mr Woods's primary targets.

"We're going to twist their arms and say, 'Look you're Bermuda based, you ought to be listed in Bermuda,'" he says. "There are about 260 companies incorporated here and listed in Hong Kong. If just 10 per cent of those did a secondary here I'd be vary happy."

For the BSX, one significant attraction of these companies – aside from the listing fees – is the fact that they would already be regulated by their home exchanges and would, therefore, need very little local supervision.

The BSX is self-regulated and comes under the aegis of the Bermuda Monetary Authority (BMA), working to rules that were revised in 1992. Earlier this month, the exchange completed a set of listing requirements for international companies; a set of listing rules for local companies is expected later this year.

Meanwhile, the BMA is in the process of developing investment services regulation that will license and monitor local brokers, investment managers and advisers.

Taking out secondary listings in Bermuda has its attractions. Mr Peter Everson, executive vice president of Schroders (Bermuda), says he would encourage international clients to do so because it might make it easier for them to make trades.

"You just show someone from the Middle East that he's got to file for a federal tax ID (to trade on the New York Stock Exchange) and he thinks the heavies are coming after him," he says. "If it's easy to trade here, people might even pay a premium for it."

Mutual funds may also provide a source of securities to be traded on the exchange – simply because there are so many domiciled on the island. The potential for growth is significant. Right now, only 57 of the 575 mutual funds established in Bermuda are traded on the BSX, and the majority of those are managed by the island's three banks and other local institutions.

Mr Mansfield Brock, chairman of the BMA, believes that the convenience of trading in international mutual funds in Bermuda may help attract more large international companies to establish offices in Bermuda.

At least initially, however, the exchange may find itself in a hard battle with the standard practices of Bermuda's investment companies.

Mr Brett Goodin, who runs Fidelity International, the Bermuda-based sister company to Boston's giant Fidelity Investments, says that since they are primarily marketed in Europe, he would be disinclined to move his Bermuda-organised offshore currency funds to the BSX. "We don't see any benefit in listing on the BSX because we don't need to trade any funds locally," he says.

Bermuda may run into the same problem with global bonds that are primarily listed on the Luxembourg and London stock exchanges and marketed mainly to European investors.

Mr David Tory, head of debt syndication in Merrill Lynch's London office does not see a big opening for Bermuda because the listing process is relatively efficient and inexpensive in London and Luxembourg.

A better opportunity may lie in trading the offshore instruments of Latin American and US companies and looking for a stock exchange closer to home.

Mr Greg Wojciechowski, the exchange's chief operating officer, says several US law firms have expressed an interest in listing through Bermuda because they have had trouble with time zone and language differences elsewhere.

That is exactly the type of business Mr Woods and a host of Bermuda's business leaders will be looking for this month as they go on a road show to put their case to the world's financial centres.

■ **Investment management:** by Lisa Branston

# $70bn asset alert

## Local companies are trying to make sure that more money is managed on the island

It is an eye-popping figure for even the most jaded of bankers: insurance companies incorporated in the 20 square miles that comprise Bermuda have a combined total of about $70bn in assets on their balance sheets.

Yet little of that money touches Bermuda's economy in any substantial way before it is sent off for management in New York, London and other financial centres. Estimates vary but most Bermudians concede that only about 1 per cent to 3 per cent of the $70bn is managed by local firms.

This, of course, is something that financiers are keen to change. Mr Jeffrey Conyers, chief executive officer at the brokerage, First Bermuda Securities, contends that local firms would grab a bigger piece of the pie if they went after it in the right way. In an effort to do just that, he has agreed to represent the investment management arm of the Chicago-based Harris Bank, which is going after some of Bermuda's insurance business.

"The reason money is getting managed somewhere else is that nobody is paying attention here," Mr Conyers says.

Attention to that huge pool of assets, however, is growing. Bermuda's two biggest banks – the Bank of Bermuda and the Bank of Butterfield – are working to improve their investment management services. Meanwhile, the asset base of Bermuda's insurers is attracting global companies to the island. The arrivals this year include Invesco, the UK investment firm, and Merrill Lynch Asset Management, an arm of the New York bank.

Ms Anne Maria Gagnon, chief investment officer at the catastrophe reinsurer, PartnerRe, says Bermuda's insurers are very well served by the international financial institutions that fly in. But she adds that the arrival of big foreign banks will be a positive development if it means money managers gain a better understanding of the constraints and opportunities presented to an offshore insurer.

Since PartnerRe's inception, its original sponsors have managed its assets, now worth $1.2bn. However, it is now looking to for at least one more third-party manager and has spoken to both local and international managers.

Under Bermuda law, only companies with at least 60 per cent local ownership can provide investment management services to entities incorporated on the island or to individuals.

This restriction, however, has not deterred some leading international companies. In May, Invesco took a 40 per cent interest in Bermuda Asset Management and set up Invesco Global Asset Management with BAM its majority partner.

Mr E.T. "Bob" Richards, president of BAM, says he had been seeking a partner for some time to help him win business from insurance companies that had eluded him in the past.

"I had seen these huge opportunities but I knew that I wasn't able to exploit them by myself," he says.

According to Mr Richards, the asset side of the insurance companies' balance books defaulted to foreign companies because Bermudians were not prepared to pay it sufficient attention. "It was an opportunity that we had squandered," he says.

He says that in the six months since he joined up with Invesco the assets under management have about doubled to $275m and he is hopeful that he will see that sort of growth to continue in the near term.

The most recent entrant into Bermuda's banking sector is Merrill Lynch Asset Management. Last month, MLAM and Bermuda Commercial Bank incorporated a new 60/40 company to go after business from locally incorporated insurers and other companies.

Ms Kathleen Robins, who is the senior manager from the MLAM side, has a background in the insurance industry, having worked for, among others, the American International Group before joining MLAM in Princeton, New Jersey.

Mr Anthony Wiseman, a senior vice president of MLAM, says Merrill was attracted to Bermuda's huge asset pool and he believes the combination of a local presence and market expertise will allow it to land some of the island's big accounts.

"The complexities of the market are such that we have a capability that is hard to replicate," he says. "We're not only providing service on the ground, but also tying it back to our headquarters in Princeton, New Jersey where we manage $125bn in fixed income."

Another foreign group to enter the fray is Schroders, a subsidiary of the UK merchant bank, which was granted special permission in August to offer investment services to corporations in Bermuda. That makes it the only fully foreign-owned bank providing investment services to local firms.

Mr Peter Everson, executive vice president of Schroders, says that he intends to carve out a niche, managing the smaller accounts of local trusts and captive insurance companies that do not have the clout to draw other outside investment managers to the island.

"A $100m fund from an insurance company can attract people from all over the world," he says. "But for captive managers and trustees the question is: how do they get a decent return on assets that may be only $15m?"

Schroders' move troubles the local banks, which, unlike their exempted UK counterpart, have to pay a tax on earnings made from the provision of services to local companies.

Also, the banks are concerned that, by granting special permission to Schroders, the government is opening the investment management sector by the back door.

The finance ministry, however, counters that Schroders, which has been in Bermuda since 1969 is a special case that does not necessarily portend a trend. Any opening of the sector will only be done after careful consideration and after consultation with local institutions, it says.





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PROFILE **David Saul, premier**

# New leader seeks stability

The former school teacher is back in his element. Mr David Saul, who became premier in August, has set himself the task of achieving political stability, healing bad feeling, and making sure Bermuda does its homework before embarking on any more adventures.

The 55-year-old Mr Saul, who was most recently the island's finance minister, has a clear idea of the message he wants to preach: the debate on independence from the UK is over, the referendum in August produced a resounding "No", and international companies can stop worrying about political upheavals.

He has never publicly stated his view on independence but says: "While I am premier, the issue will oot come to the fore. That gives them [businesses] all the confidence and warm feeling they need."

He knows, however, that his job is not that simple. There is much work needed to rebuild the United Bermuda Party, which was split by former premier Sir John Swan's unexpected decision to pursue independence from the UK. Grass roots confidence in particular has been shaken, Mr Saul admits.

"I'm trying to quieten all the emotions down. When our emotions are high, objectivity goes out of the window," he says.

Mr Saul also faces a number of economic challenges, not the least of which is developing the former US and Canadian military bases that have been returned to the country. As part of plans for redeveloping the returned land, Bermuda will have to decide how far it should open up its telecommunications industry to attract high-tech companies to the island. It must also address the issue of whether rule changes on data protection are needed.

But Mr Saul is adamant that the island has unique selling points that will continue to make it an attractive location for an increasing number and increasing range of businesses. "If Bermuda were not here, an enterprising Yank would get a moth-balled World War Two aircraft carrier, put a huge satellite dish on the flight deck, and have himself an offshore jurisdiction. We've got that here," he says.

He also argues that the government still has a firm grasp of the way Bermuda's business leaders tick. Under budgets introduced when he was finance minister, government revenues remained at about 20 per cent of gross domestic product. Borrowing was used for capital spending, not current expenditure.

Saul: 'I'm trying to quieten all the emotions down'

Although he has given up day-to-day responsibilities, Mr Saul remains a director of Fidelity, the US-based mutual fund giant. He insists that discussions with business are two-way. A charge on the sale of high-value residential properties by foreignera, announced in this year's budget, for example, was withdrawn after protests that it amounted to a capital gains tax and discriminated against non-Bermudians.

Underlining his cautious approach, Mr Saul says he is anxious that growth in international business should be steady rather than rapid, allowing the infrastructura and regulatory regime to be developed in an orderly fashion.

Take tha insurance sector, for example. "One of the fears I had," says Mr Saul, "was that all of the gyrations at Lloyd's of London would mean a deluge of companies looking to form here. And that still may happen. But I'd rather it was a steady movement upwards."

Similarly, he is unlikely to embrace full-blown liberalisation of telecommunications as part of tha plan for redeveloping the former military bases. Because the market for telecommunications on the island is small, there is a fear that quality would suffer. "I just don't think that on a little tiny island yon could allow it," Mr Saul says.

There is also Bermuda's reputation to protect. New businesses coming to the island would have to be "in keeping with our international image which, above all things, we value."

That means Bermuda, just as it has shunned an influx of foreign banks because of fears of money laundering, is unlikely to embrace international technological companies seeking merely to avoid other countries' censorship or data protection laws.

Instead, the emphasis in building Bermuda's "silicon beach" will be on the island's accommodating regulatory requirements and strong protection for copyrights and trademarks. "Wa would not allow someone to have data here to do nefarious, naughty things," Mr Saul says.

The premier's conservatism should not, however, be mistaken for a lack of confidence. Mr Saul himself admits be often appears arrogant (he says it is the lot of former finance ministers to be unpopular). Critics say he has a patronising, headmasterly style. One business colleague says be is also ambitious and, as a result, "quite prickly around the edges".

Ambition also means be aims to make some changes. On tourism he expects significant upheaval, for example. "Some of tha things that Bermuda has been known for in tha past – sun and sand – are passé now. People don't want skin cancer, they won't lie in the sun all day. But they want some kind of adventure, a soft adventure."

He promises "a real shake up" in tourist advertising and a change in tha "product", including using the military base lands to provide facilities that tourists are demanding. "Bermuda is surrounded by 250 square miles of reef. But we don't push scuba diving, snorkelling, water sports as we should," he says.

Mr Saul is also trying to revamp his image. One step has been to leave tha official BMW 7 series – the only one on the Island and used proudly by his predecessor – in the garage for much of the time. Since his elevation he has also committed himself to addressing and meeting local party members as part of his "healing process".

However, a little smugness still creeps out. In an hour-long interview be cannot resist a dig or two at Sir John Swan, the former premier. He aays, for example, that Sir John's decision to allow his cabinet to vote according to their consciences on independence "to a certain degree backfired".

"It made the party look like it was fractured... It probably would have been better if the premier of the day had remained neutral and not taken up an open stance on it. But that was Sir John's prerogative."

Clearly, Bermuda's new premier is not about to go down that route.

**Ralph Atkins**

PROFILE **Frederick Wade, leader of the opposition**

# Caution in fight for power

Amid the political and meteorological storms that have hit Bermuda this year some fixtures have remained. There may be a new premier and a new cabinet, but Mr Frederick Wade is still leader of the island's pro-independence Progressive Labour Party; and the party is still in opposition.

The dogged determination of Mr Wade and his party has become a central feature of the Bermudian political system. The ruling United Bermuda Party (UBP), a broadly-based coalition of pro-business politicians and traditional Bermudian families, has had its squabbles, rifts and splits but has always stayed in power. The PLP, founded in 1963, has been frustrated in every attempt to take control.

At the next election, due by October 1998, Mr Wade believes the party might have a real chance. His faith lies partly in the electoral arithmetic. With an additional 120 votes in the right places at the last election in October 1993, the PLP would, Mr Wade reckons, have won. Even by Bermuda's standards that would have been a tiny swing.

Leader of bis party sioce 1985 Mr Wade also believes that the UBP has led Bermuda into "a serious mess" that will cost it votes. The island has been hit by economic weakness, crime, unemployment and race relations problems, be says. "People are seeing that the UBP is leading us to this position of doom and gloom."

For his part, Mr Wade is not making pledges that might deter potential voters. Aged 56 and a lawyer by profession, confrontation is not in his nature. With his thin facial features, greying beard and soft voice, be is far from being a strident politician.

Mr Wade is particularly anxious to provide reassurance that his party is heartily pro international business. It is, be says, "the area of parliamentary life where we have the least amount of disagreement". The PLP, be says, backs the exemption granted to international business from income tax, capital gains tax or profits tax until at least 2016.

He also strives to match the UBP's fiscal prudence. The government's pledge to balance its curreot speoding against revenues is sensible, he says. As for any suggestion that the PLP might introduce income tax, he is dismissive: "We recognise that politically it does not make sense."

Instead, the PLP's policy proposals are about making adjustments where possible to ensure the whole population enjoys the fruits of the Island's successes. That means stepping up efforts to ensure international businesses employ local recruits where they are able to do the job as well as foreigners.

It also means a state-backed human rights commission better able to pinpoint areas where the black majority are being excluded from jobs. "The advance of blacks in Bermuda, despite improvements in education, has not occurred," Mr Wade says.

Education and housing would be other priorities, including using facilities at the former military bases to provide low cost homes.

But the most difficult task for Mr Wade is drawing up a policy that fulfils the PLP's long-term wish to take Bermuda independeot, without jeopardising the party's electoral chances. For the referendum in August, the party adopted a neutral stance, urging voters to abstain on the grounds that the island was being asked to go independent on terms set by the ruling UBP.

That policy had limited success. The 59 per cent turnout was high by local standards for referendums. But the PLP's decision not to urge a "Yes" vote wrong-footed Sir John Swan, the former premier, depriving him of the pro-independence vote be wanted and forcing his resignation. (Not a great loss, says Mr Wade: "I'm glad to see him go... The country was going down the tubes.")

Wade: 'People are seeing that the UBP has led us into doom and gloom'

The PLP has now reverted to its previous policy of backing indepeodence. It seems, however, to be in no hurry to step up its campaign. Mr Wade does not expect Mr David Saul, the new premier, to raise independeoce as an issue because "for the UBP it is now a taboo subject". As for his own party: "We are not going to raise that issue at the next electioo". The higher priority, Mr Wade says, will be redrawing Bermuda's electoral boundaries to make elections fairer.

It is a curiously half-hearted strategy, not helped by Mr Wade's slightly diffident manner and sometimes rambling speaking style. If elected, the PLP would spend 18 months to two years provoking debate on the issues involved in a move to independence. Discussion would include widespread consultation with international businesses. "They were left out in the cold last time, having to guess what was happening and that created uncertainty," says Mr Wade.

Only after this process might the PLP fight an election committed to taking the island independent.

But, given the fears of some businessmen about the PLP's agenda, the caution of Bermuda's voters and their traditional reluctance to be driven into taking big decisions hastily, it is perhaps a wise strategy.

Mr Wade is certainly keen to be given the chance to test it. He plans to stand again for the PLP's leadership next year, paving the way for him to lead the party into the general election. Despite the closeness of the result last time, be acknowledges the fact that the PLP has bad three decades in opposition is not a good omen. "We have got to be careful. We have got to work hard," he says.

**Ralph Atkins**

■ Advice for the visitor

# A business travel guide

## Bermuda is known for idiosyncrasies. From etiquette to accommodation, your questions answered

**How do I get there?**
A luxury cruise ship from north east America is not an option for most time-pressed businessmen.

Air travel, however, makes up in speed what it lacks in style. Flights from New York take about two bours.

During the summer season, there are some 12 flights a day from the US; during the off-peak period, there are likely to be about six. British Airways operates four flights o week from London. There are also flights from Frankfurt and Canada.

**Where do I stay?**
Bermuda's hotels and guest houses have ebout 3,500 rooms but the island's size means they are not always where visitors would like them. At times, accommodation in Hamilton can be scarce and business travellers with meetings in the capital might find honeymooners' beachside resorts less than ideal for their needs. Hamiltoo establishments listed in the FT World Hotel Directory for 1996 are:

- Princess, PO Box HM 837: 001-441-295 3000
- Southampton Princess: PO Box HM 1379: 001-441-238 8000.
- Elbow Beach, South Shore Road, Paget: 001-441-236 3535
- Sonesta Beach Hotel and Spa, South Road, Southampton: 001-441-238 8122

The Visitors' Service Bureau at Bermuda Civil Air Terminal (open 0930-0330) will provide information on accommodation to visitors who haven't pre-booked. Alternatively, contact the department of tourism, either at Global House, 43 Church Street, Hamilton, or at one of its offices in Atlanta, Boston, Chicago, London, Los Angeles, New York and Toronto.

All room rates are subject to o 6 per cent Bermuda government tax payable oo check-out from the hotel. Credit cards are accepted at most hotels, restaurants and shops.

**What ebout the currency?**
One Bermuda dollar is equivalent to and interchangeable with one US dollar on the island.

**How do I get about?**
To ease traffic congestion, car hire is not allowed. Within Hamilton this is not o great problem; everything is within a few minutes' walk.

For other destinations taxis are plentiful, reasonably cheap and driven by mostly polite drivers. Unlike those in New York, Bermudian taxi drivers speak English; unlike those in London, they are refreshingly reluctant to engage in banter.

Getting to out-of-Hamilton destinations takes a surprisingly long time thanks to a 20mph speed limit and a generally leisurely attitude to life. The other option is to go by bus or hire a scooter, available from many hotels. Although low-powered, they give an impression of great speed but Bermuda's roads are notoriously slippy and the casualty rate is high.

Never go anywhere on a scooter without a helmet, in addition to risking their lives, bare-headed riders risk humiliation from well-brought up childreo who will yell at them to put on helmets.

**When can men wear shorts?**
Some businessmen change on or before the flights to Bermuda. Basically there is no occasion on the island where shorts cannot be worn – business or social. Nor is any colour out of order; there is currently o bit of a vogue for pink. Shorts are even worn in the (mild) Bermuda winter.

But it is important that the *right* apparel is worn. The true Bermuda shorts are a tailored, monochrome product. "If there is more than one colour, you wear them on the beach. If there is just one colour, it is OK for the office," says Mr Roger Scotton, information director at Bermuda's Insurance Institute. Proper *long socks – which reach* up to your knees with at least an inch to turnover – are also required.

(Bermuda shorts are not worn off the island. They look silly.)

**Is there a female equivalent?**
No.

**Any other dress codes?**
A Bermuda department of tourism publication offers the following tips:

"The atmosphere of a Bermuda hotel, guest house or cottage colony, and indeed of Bermuda itself, is one of British reserve and dignified informality. Therefore, there are certain 'customs of dress' you will want to know about.

"Bare feet and hair curlers are not acceptable anywhere in public... It is an offence to ride cycles or appear in public without a shirt or just wearing a bathing suit top. Joggers may wear standard running shorts and shirts."

**Where should I be seen?**
The whole point of coming to Bermuda is not to be seen. It is an island to escape. There are a few bars and night clubs but casinos have been kept off the island. Bermuda does have a selectioo of good restaurants and botels. After dinner, everyone goes to bed.

**I have some spare time. How should I spend it?**
The world is your oyster: swimming, scuba diving, sunbathing, tennis, running, posing by the pool-side, shopping, visiting local museums, walking historic trails, eating, drinking and golf, golf, golf or more golf.

Leave some spare time on your trip. After all, people in the office won't believe it was all hard work so you may as well confirm their prejudices with tales of beach life.

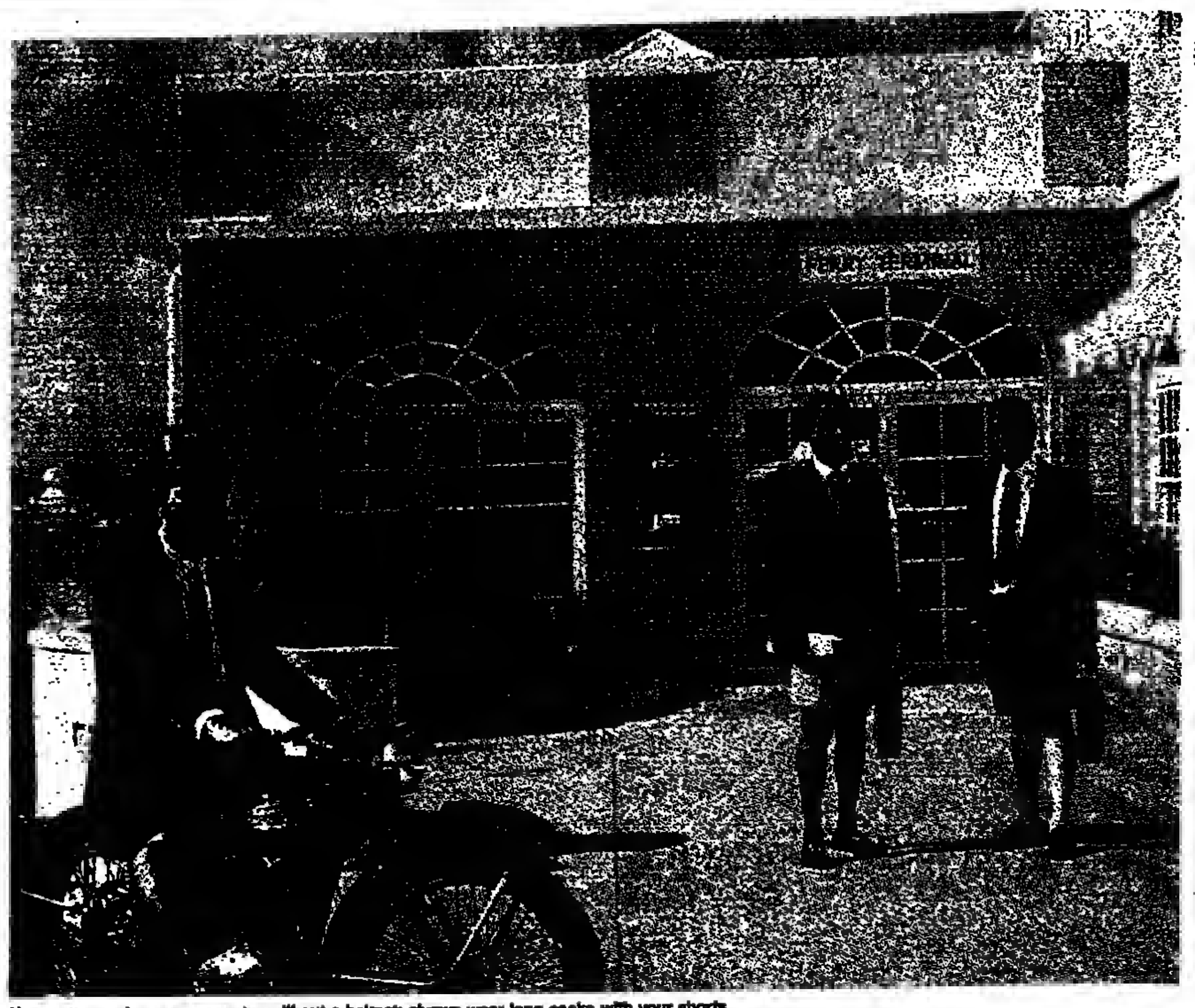
### KEY FACTS

| | |
|---|---|
| Premier | David Saul |
| Governor | Lord Waddington |
| Capital | Hamilton |
| Area | 20.5 sq m approx |
| Population | 60,000 approx |

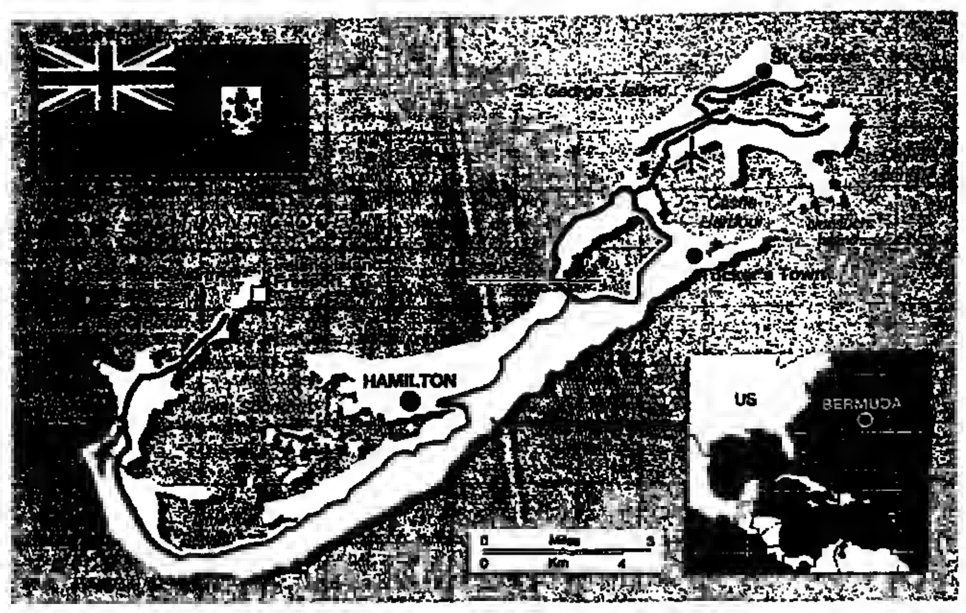
| Economic indicators | 91/92 | 92/93 | 93/94[1] |
|---|---|---|---|
| GDP at market prices ($m) | 1,679.9 | 1,697.6 | 1,840.2 |
| GNP at market prices ($m) | 1,681.9 | 1,712.6 | 1,878.2 |
| Total government revenue ($m) | 342.7 | 350.8 | 371.6 |
| Total government spending ($m) | 363.8 | 377.8 | 379.9 |
| Consumer spending ($m) | 1,165.7 | 1,197.0 | 1,236.5 |
| | 1992 | 1993 | 1994[2] |
| Inflation | 2.7 | 2.5 | 2.3 |
| Retail sales index[3] | 157.3 | 163.0 | 168.9 |
| % year-on-year change | -1.7 | 3.6 | 3.6 |
| Merchandise imports ($m) | 483 | 519 | 551 |
| Merchandise exports ($m) | 84 | 35 | 51 |
| **Politics and government** | | | |
| General elections | 1985 | 1989 | 1993 |
| Total elected seats | 40 | 40 | 40 |
| Independent | – | 2 | – |
| National Liberal Party | 2 | 1 | – |
| Progressive Labour Party | 7 | 15 | 18 |
| United Bermuda Party | 31 | 22 | 22 |
| Registered voters (000s) | 29.3 | 30.9 | 34.5 |
| **Social indicators** | | | |
| Ethnicity | 1970 | 1980 | 1991 |
| % black | 59 | 61 | 61 |
| % white and other | 41 | 39 | 39 |
| % Bermuda-born | 72 | 74 | 73 |
| | 1992 | 1993 | 1994 |
| Total employment | 33,650 | 33,427 | 34,143 |
| Persons convicted of indictable offences | 687 | 641 | 596 |
| Birth rate (approx) | 15.5 | 13.7 | 14.5 |
| Death rate (approx) | 7.9 | 8.2 | 8.1 |

Notes: [1]Provisional figures for 1993/4; [2]provisional 1994 trade figures; [3]annual averages, 1980 = 100.0

Source: Bermuda government statistics department



Never go anywhere on a scooter without a helmet; always wear long socks with your shorts






■ Island life: by Ralph Atkins

# When small isn't beautiful

## Residents can feel there is a fine line between idyllic and oppressive

Bermuda is idyllic in its inooceoce: its unspoilt beaches, meandering high-quality golf courses, and sedate pace of life. Yet there are only 21 square miles of it. And the nearest alternative land is 600 miles away.

What's more, there are just 60,000 residents. After even a few days, you begin to see the same sights and people time after time. After a few years, the island life can become positively claustrophobic.

This is not how Bermudians see it, of course. Suggest that the island might, after s while, become, well, boring, and you will be met with an uncharacteristically icy glare. Bermuda's charms can oever dull, they insist.

But then most will quickly point out that Bermudians are among the world's most travelled people, taking on average at least two trips away from the island each year and causing palpitations at the ministry of finance where they calculate the impact on Bermuda's balance of payments.

Mr Mansfield Brock, Bermuda-born chairman of the Bermuda Monetary Authority, saya: "We occasionally get island fever – when you have got to go off for a bit and then you come back – but the word 'bored' is inappropriate."

Then he makes a confession. "I get bored of beaches. I get bored of woter." During tha summer, he also heads for Vermont to play golf. "I like some cool weather," he laughs.

Pining for another lifestyle is understandable. Bermuda is, perhaps, just too squeaky clean. The 20mph speed limit on its roads, for example, turns what by any other standards would seem a modest journey ioto an expedition. Bermuda resideots will sometimes refuse to travel even short distances because of the time involved.

Then there are the limited social circles. A small population means you quickly know all those moving in similar business – and meet them endlessly at beachside cocktail parties, golf matches, restaurants and dinner parties, never mind the office. "It is impossible to hava an affair here," says one insurance executive.

Then there is the innate conservatism that has kept casinos off the island. Even fast food is limited. Everyooe is polite. No ooe swears. The local newspaper leads its front page with stories about expired lift licences and bicycle thefts.

One optioo is to escape by boat, sailing or motoring out across the coral reef on which Bermuda is perched. At least theo it is possible to avoid meeting the same people, to reflect in solitude, meditate on Bermuda's role in a turbulent world as the waves lap geotly against the aide of the boat. But it is not Broadway. After a while, a glistening sea view becomes just another glistening sea view. And as Mr Edgar Dill, marketing manager at Cable & Wireless, says: "It even gets crowded out there."

The only alternative is to head for a decent-sized land mass. Bermuda is, after all, only a couple of hours by plane from New York, where the shops never seem to close, the cars screecb and the pace of life is irrepressible. Other US cities are also easily accessible. Mr Donald Scott, assistant financial secretary at the ministry of finance, says: "I like to take in a show, a good bookshop, engage in a wider debate than you get here."

For weary international busioess executives, this might seem crazy. For them, time spent on the island is precious. Mr Michael Butt, chief executive of Mid Ocean, one of the island'a new reinsurance companies, says his regret is speoding too mucb time away from base. "My main problem is spending enough time oo the island to enjoy all the things that it has got," he says.

The biggest attraction, in his opinioo, is Bermuda's scale which, at least in the capital Hamilton, means everything is within walking distance and faces are familiar. "The island is human size," says Mr Butt. "It is very pleasant to work and live here as a result."

But only, it seems, for so long at a time.





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FINANCIAL TIMES

# COMPANIES & MARKETS



Tuesday November 7 1995



## IN BRIEF

### Compaq in $372m NetWorth takeover

Compaq Computer, the world's largest personal computer manufacturer, plans to acquire NetWorth, a US manufacturer of computer networking equipment, for $372m. The deal is the latest move by Compaq to *expand beyond* PCs into business computing networks and systems. Page 18

**Kmart moves to damp debt speculation**
Kmart, the heavily indebted US discount retailer, again attempted to calm speculation over its financial position, repeating that its balance sheet was strong. Page 18

**Stora triples and threatens production cuts**
Stora, the Swedish forestry products group, unveiled a three-fold increase in profits to SKr6.2bn ($932m) for the first nine months of the year and pledged to defend price levels with production cuts if demand for pulp and paper weakened. Page 19

**Scania rises 46% on buoyant truck demand**
Scania, the Swedish truck and bus manufacturer, continued to benefit from the strong upswing in global demand for heavy trucks, reporting a rise of 46% in profits to SKr3.8bn ($571m) after financial items in the first nine months. Page 19

**Playboy to open casinos in Rhodes**
Greece has awarded a casino licence for the island of Rhodes to a consortium that includes Playboy Enterprises. Page 19

**Bank of China reveals size of HK presence**
The Bank of China group has HK$700bn (US$90bn) of assets in Hong Kong and controls about a quarter of the colony's loans and bank deposits, said Mr Zhang Hongyi, deputy chief executive of its Hong Kong and Macao regional office. Page 20

**China Light and Power disappoints**
Shares in China Light and Power slid 4.6 per cent and led the Hong Kong market down after the colony's electricity supplier reported a worse than expected rise in annual net earnings to HK$5.67bn (US$733.5m), from HK$4.2bn last year. Page 22

**BA reveals approaches on US tie-up**
British Airways has had approaches from several US airlines which want to form transatlantic partnerships if the UK carrier sells its 24.6 per cent stake in USAir, Sir Colin Marshall, chairman, said. The UK carrier announced first-half pre-tax profits of £430m ($679m), up 23.2 per cent. Page 23

**United Biscuits sells Keebler business**
United Biscuits has sold most of Keebler, its ailing US cookie and cracker maker, for $500m to Inflo Holdings, a new company owned by Flowers Industries, a US specialty food maker, and Artal, an investor in food and other industries. Page 24

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### Chief price changes yesterday

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Beiersdorf | 940 | + | 20 |
| **Falls** | | | |
| Asko | 725 | − | 26 |
| Daimler Benz | 673 | − | 12.5 |
| Linde | 860 | − | 10 |
| Volkswagen | 453.5 | − | 10.5 |
| Wella | 751 | − | 11 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Fed Paperboard | 52¾ | + | 7¼ |
| First Interstate | 129 | + | 1⅛ |
| Networth | 41⅞ | + | 6⅞ |
| Pratt & Lambert | 34⅝ | + | 13⅞ |
| UAL | 186⅝ | + | 2¼ |
| **Falls** | | | |
| Cordis | 105 | − | 5⅝ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Ass Brit Foods | 704 | + | 16 |
| Bluebird Toys | 376 | + | 17 |
| East Mids Ely | 919 | + | 24 |
| Northern Ely | 915 | + | 37 |
| **Falls** | | | |
| Amersham | 930 | − | 38 |
| Crichley | 613 | − | 21 |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Euro-Nevada | 47¾ | + | 2¼ |
| Fairfax Fin | 86 | + | 2 |
| Fulcrum Tech | 48 | + | 5¾ |
| Potash | 101¾ | + | 3 |
| **Falls** | | | |
| Comwest Glob | 22¾ | − | 1 |
| Sotiley Silvers | 48 | − | 1 |
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Immobanque | 688 | + | 13 |
| **Falls** | | | |
| CSP | 953 | − | 26 |
| Docks de France | 730 | − | 13 |
| Ecco | 706 | − | 20 |
| Legrand | 790 | − | 14 |
| SILIC | 685 | − | 10 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Cosmo Secs | 335 | + | 35 |
| Daiwa Bk | 739 | + | 100 |
| Kawasaki Heavy | 447 | + | 8 |
| TDK | 5540 | + | 240 |
| **Falls** | | | |
| Fuji Bk | 1910 | − | 40 |
| Sumitomo Bk | 1720 | − | 140 |
| **HONG KONG (HK$)** | | | |
| **Falls** | | | |
| China Light | 39.5 | − | 1.9 |
| HSBC | 112.5 | − | 1.5 |
| Hang Seng Bk | 64.6 | − | 1.2 |
| Henderson Land | 48.1 | − | 0.6 |
| New World Dev | 29 | − | 0.8 |
| Sun Hung Kai | 61.25 | − | 0.7 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Shinawatra Comp | 616 | + | 8 |
| **Falls** | | | |
| Compass East | 141 | − | 9 |
| Far East | 155 | − | 14 |
| Loxley Publ | 456 | − | 16 |
| Phelia Ins | 160 | − | 10 |
| Unique Gas | 78 | − | 7.5 |

New York & Toronto prices at 12.30.

# Setback for Hoechst in third term

By Jenny Luesby in Frankfurt

Hoechst, the German chemicals company, yesterday reported an "extremely disappointing" third quarter, due to a marked slowdown in Europe.

Mr Jürgen Dormann, chairman, said demand had declined throughout the summer, and recent weeks had seen the prices for basic plastics "collapse". As a result, Hoechst had curtailed its output in Germany to levels that were lower in September than in the same month last year.

October had been no better, he said, and the outlook remained uncertain despite signs of improvements in the US.

Despite this, with pre-tax profits, including extraordinary items, rising 115 per cent to DM1.3bn ($922m), on sales of DM12.8bn, the group was on target for its highest annual profits since 1989 – a year of record highs for the chemical industry.

Excluding extraordinary items, which included gains on the sale of the group's cosmetic businesses and charges arising from the acquisition of Marion Merrell Dow, the US drugs company, pre-tax profits were DM1bn in the third quarter.

This represented a rise of 67 per cent on the previous year, thanks to an 8 per cent increase in sales, which more than offset a 1 per cent decline in prices. The group saw some relief from the costs, suffered in the first half, from currency movements.

However, the underlying figures reveal a contraction in sales and profits between the second and third quarter, with pre-tax profits down more than 12 per cent from the DM1.14bn recorded from April to June. This was despite the inclusion, from July 1, of the sales and profits of Marion Merrell Dow.

The group said it expected MMD to contribute DM380m to profits in the second half. However, profits for the full year would be depressed by extraordinary charges of DM1.2bn on the acquisition, DM660m of which had been posted in the third quarter.

In the group's chemical businesses, demand for synthetic fibres which had risen strongly in the first half, had "stagnated in the third quarter at the weak level of the previous year", the group said. And in plastics, which had made a big contribution towards the year's advances, Hoechst's production had "fallen from quarter to quarter during 1995".

The third quarter had seen improved demand for chemicals in the US which gave cause for optimism, said Mr Dormann.

"After a short pause in the upward trend in the second quarter, the US economy is again on course for growth," he said. "In all probability, the western European economy will follow on with a short time lag."

# IP offers $3.5bn for Federal Paper Board

By Maggie Urry in New York

International Paper, the world's largest paper company, has agreed a $3.5bn takeover of Federal Paper Board, a New Jersey-based group with 23 facilities across the US and two in Britain.

The deal values each Federal share at $55, putting a price of $2.7bn on the group's equity. IP is also assuming $800m of debt. Federal Paper's shares rose $7¾ to $52¾ in morning trading while IP's fell $⅞ to $36⅛.

The deal comes at a time when paper companies' earnings have risen sharply, buoyed by rapidly increasing prices and shortage of supply. However, many analysts believe the sector's fortunes are near their peak and some are predicting a fall in profits for Federal Paper next year. Federal, which makes paper, paper products, pulp and wood products, reported net income in 1994 of $72m on revenues of $1.57bn.

IP said Federal Paper had initiated discussions about two weeks ago. It said the timing of acquisitions depended on when opportunities arose. Even so, it is expected the merger would be slightly positive for IP's earnings in 1996, as cost savings began to come through. Over the longer term, savings approaching $100m a year were expected from the merger.

IP said it had not calculated how many jobs would be lost. Savings would also come from better buying discounts and logistical efficiencies.

Observers of the sector had expected IP to buy a non-US based company as the focus of recent acquisitions has been overseas. This year, it took a controlling stake in Carter Holt Harvey, a New Zealand paper company. In June IP dropped out of a bidding battle for Holvis, a Swiss paper distributor. IP said the purchase of Federal Paper would increase its global business and bring it "two world-class facilities" with Federal Paper's plants in North Carolina and Georgia, more than half a million acres of timber land, and a paper mill in Scotland.

The deal is subject to antitrust investigations, but IP did not expect this to cause a problem. Federal Paper's leading product is paperboard for liquid packaging such as milk cartons.

IP is offering cash or shares to Federal Paper holders, but intends to pay cash for 49 per cent of Federal Paper's 49m shares. With the issue of new shares, the deal would only marginally increase the group's debt to capital ratio, IP said, and the group would be a large cash generator.

Stora results, Page 19

**Gerard Baker** reports on the benefits of the possible merger between Sumitomo and Daiwa

# Shotgun wedding to save Japanese bank's reputation

Marriages between Japanese financial institutions have tended to be of the shotgun variety. Most have been out of acute necessity, with one partner hauled reluctantly to the ceremony by a paternally solicitous ministry of finance.

The probable merger between Sumitomo Bank and Daiwa Bank looks suspiciously as though it belongs in that category. Neither bank would comment yesterday on the speculation, but the stock market anticipated the nuptials and it had no doubt whose honour was about to be preserved in the matchmaking. Daiwa Bank's share price rose 15 per cent, while Sumitomo's fell 8 per cent.

For Daiwa, being subsumed into a stronger bank seems unavoidable. Last week's decision by the US Federal Reserve to expel it from the US was followed by instructions from Japanese authorities to Daiwa to cut its operations at home and overseas. The bank said it intended to reduce its global staff by at least 25 per cent and scale down activities in Europe and Asia.

More important is the damage done to the bank's reputation. Daiwa is already losing customers almost as quickly as its hapless trader in New York lost money on US Treasury bonds. Yesterday, the cash-rich postal ministry announced it was taking its custom elsewhere. The simplest way for Daiwa to stop the haemorrhaging is to find a partner.

But why Sumitomo? The two banks, both based in Osaka, have a good working relationship, and for Sumitomo there may be some concrete advantages.

● First, the merger would create a genuinely full service bank. It would be the largest in the world measured by deposits, overtaking Bank of Tokyo Mitsubishi, the product of a nascent merger to be completed next year. More important, Daiwa is already a unique bank in Japan – it is the only city, or commercial, bank with its own full trust banking licence, and the only one with a comprehensive securities subsidiary.

Of the two, the trust banking operations will be of more interest to Sumitomo. In Japan's highly-regulated pension funds market, Daiwa is a big fish. It has funds under management of more than Y5,100bn ($50bn), making it the largest pension fund manager among the trust banks. Fees from trust banking last year amounted to Y103bn, more than one third of its gross operating income.

The securities subsidiary, Cosmo, offers mixed benefits. Even though it is one of the more troubled and loss-making of Japan's securities companies, it has a full brokerage licence, giving Sumitomo, if it wants it, real potential in the Japanese securities market.

● Second, the possibility of a tie-up with Nomura Securities, Japan's largest stockbroker, may also have tempted Sumitomo. Nomura and Daiwa are close partners, having once been part of the same company, and newspaper reports at the weekend suggested a merged bank might include some formal links with Nomura. It would be an unusual link, because Nomura and Sumitomo are old rivals, particularly in European markets, and it might need some regulatory concessions. Nomura denied the reports yesterday but suspicion persisted that a Nomura connection might yet materialise.

● Third, Daiwa is not as much of a desperate case as its predicament suggests. Its non-performing loans represent a slightly smaller proportion of total assets than is the case for most leading Japanese banks, and putting aside the destruction of its international operations in the past week, it remains a significant bank at home. Its problems stem largely from its loss of reputation, which a merger with a bank as prestigious as Sumitomo would go some way to restoring.

Yet strong objections to a merger must weigh heavily with Sumitomo's management.

Any deal would have unquantifiable but heavy initial costs. Daiwa's planned restructuring will eat away the company's profits this year and other problems could follow. Daiwa faces difficulties raising funds in international markets – a premium likely to persist in the next few months. If the criminal charges against it in the US are upheld in court, it faces fines of up to $1.3bn.

There would be little scope for rationalisation after a merger. Both banks are heavily concentrated around Osaka. More than one third of Sumitomo's branches are in the area, and almost half of Daiwa's. Branches might be closed but, because of Japan's lifetime employment system, the banks will find it hard to cut staff and costs accordingly. Instead, employees are likely to be moved to unproductive jobs in subsidiaries.

"I don't think, in normal circumstances, that this would be by any means the ideal combination, as far as Sumitomo is concerned," said Mr Koyo Ozeki, director of IBCA, the bank credit-rating agency.

Why then, is it apparently interested? The likeliest explanation is that it has been receiving the close attentions of the finance ministry.

The Japanese authorities' long-term aim for the financial sector is no secret – radical consolidation; with weaker banks absorbed by stronger institutions. Sumitomo/Daiwa would be an ideal opportunity to further this process.

But Sumitomo is not likely to succumb without incentives. It seems probable that if the merger goes ahead the new bank will enjoy perhaps tax and regulatory concessions to smooth its path in the early years.

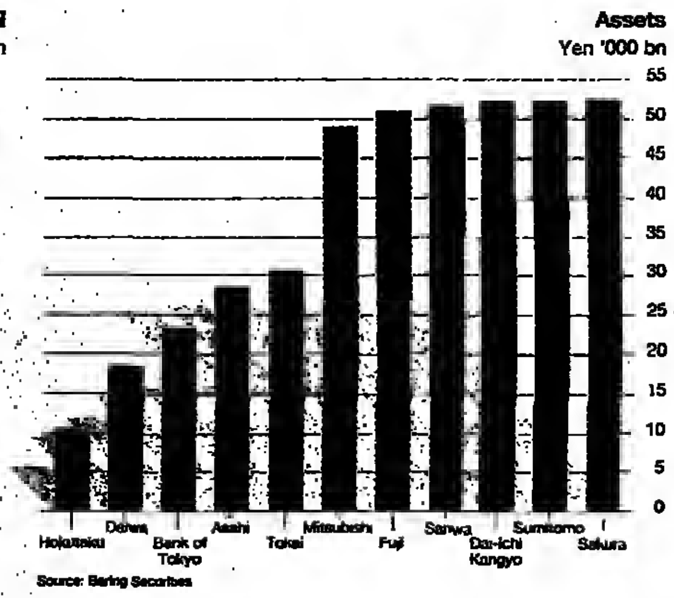
Meanwhile, other banks will be a little nervous this week. A merger would remove another name, Sumitomo, from the list of wealthy banks looking for a partner. The number of unprepossessing targets shows no sign of diminishing.

Demands for minister to resign, Page 4

**Marrying a heavyweight**

| Total deposits at commercial banks | Yen '000 bn |
|---|---|
| Sumitomo-Daiwa | 60 |
| Tokyo-Mitsubishi | 53 |
| Sanwa | 40 |
| Dai-Ichi Kangyo | 39 |
| Sakura | 37 |
| Fuji | 37 |
| Asahi | 22 |
| Tokai | 22 |
| Hokkaido Takushoku | 9 |

Source: Deutsche Morgan Grenfell




Source: Baring Securities

# Seeboard approves CSW's $2.5bn bid

By David Wighton in London

A fresh wave of bid speculation hit the UK electricity sector yesterday after Seeboard, the distributor for the south-east of England, announced it was recommending a £1.6bn ($2.5bn) offer from Central and South West of the US.

Seeboard is the seventh regional electricity company (rec) to receive a bid since July and shares in the five remaining recs rose sharply.

Other overseas companies known to be looking at possible bids include Houston Industries, the US utility which made an unsuccessful joint bid with CSW for Norweb last month. The pair withdrew after being outbid by North West Water.

US utilities are keen to expand outside the US because of deregulation and increased competition.

CSW's offer of 635p in cash is the highest per share bid for a rec. Adjusting for Seeboard's scrip issue last year it is equivalent to £12.70, compared with North West's offer for Norweb of about £11.62 and a privatisation price of 240p in 1990.

Mr Tom Shockley, who heads CSW's international arm, said it would still enhance CSW's earnings per share. "This offer represents a full price for Seeboard, reflecting its unique strengths and future potential."

CSW yesterday bought 23 per cent of Seeboard's shares in the market to deter possible rival bidders.

Analysts said the offer was unlikely to be referred to the Monopolies and Mergers Commission as Mr Ian Lang, trade secretary, had already approved a similar takeover by Southern Company of the US of South Western Electricity.

Last Thursday, Mr Lang cleared North West's bid for Norweb but has still to rule on PowerGen's bid for Midlands Electricity and National Power's bid for Southern Electric.

But five Seeboard directors, led by chief executive Mr Jim Ellis, will receive a total of £1.5m after tax from share options.

Most of the recent rec bids have included special dividends, which give pension funds tax credits. But Seeboard insisted on an all-cash offer that treated all its shareholders equally.

Mr Ellis said Seeboard was developing plans for further cost cuts but these would not be affected by the bid.

Lex, Page 16; A shock to the recs, Page 24

# Cordis agrees to $1.8bn takeover

By Lisa Bransten in New York

Cordis, the US maker of cardiology equipment and other medical devices, yesterday agreed to a takeover by Johnson & Johnson in a stock deal valued at $109 a share, or about $1.8bn.

The move brings an end to the battle between the two companies that had spilled over into the courts and threatened to become a proxy fight for control of the Cordis board.

Johnson & Johnson, the world's largest manufacturer of healthcare products, prompted the skirmish last month when it made an unsolicited bid to buy Cordis for $100 share in cash or $105 a share in stock. The Cordis board rejected the bid and Johnson & Johnson immediately announced it would solicit consent from Cordis' shareholders to remove the board of directors.

But the deal could have been halted by Cordis' anti-takeover arrangement known as a "dead hand pill" that allowed only current directors or their chosen successors to remove anti-takeover defences, even if they were ousted from the board. Johnson & Johnson had filed a suit to have that provision of Cordis' bylaws overturned.

In rejecting the initial offer, Cordis' board said "both the $100 cash offer and the $105 stock proposal by Johnson & Johnson are inadequate". Yesterday, however, Mr Robert Strauss, Cordis' chief executive, said the combination of businesses would be in the best interests of shareholders, employees and customers.

Before the deal can be completed, however, Johnson & Johnson will have to prove to Federal Trade Commission regulators that it would not violate any federal anti-trust laws by damping competition in the neurological medical device area.

Cordis' shares fell $5⅝, or 5 per cent, to $105⅛ as the announcement ended speculation over how much Johnson & Johnson might pay to gain control of Cordis, or that another bidder might emerge. Shares in Johnson & Johnson - which is based in New Brunswick, New Jersey - added $⅛ at $80⅝ on the news.

Under the terms of the agreement, Cordis would keep its Miami, Florida headquarters and its name.

## AMERICAS NEWS DIGEST

# Sherwin-Williams agrees merger deal

Sherwin-Williams, the largest US paintmaker, has agreed to buy the outstanding shares nf Pratt & Lambert United for $35 a share, or about $400m. Pratt & Lambert United develops and makes coatings and adhesives for DIY and specialty markets.

Sherwin-Williams said it also has an agreement with bolders of about 40 per cent of Pratt & Lambert United's common stock, who have granted an optinn to Sherwin-Williams to purchase their shares fnr $35 a share.

Under the terms of the merger agreement, Sherwin-Williams will start a cash tender nffer for all nutstanding common shares of Pratt & Lambert United. *Shares not purchased in the* tender offer will be acquired in a subsequent merger at $35 a share as soon as practicable after the completion of the tender offer.

Pratt & Lambert merged with United Coatings in August 1994, creating a company with some $500m in annual sales and nearly 2,000 employees. *Reuter, Cleveland*

## Air Canada ahead in third term

Heavy traffic and an expanding route network helped Air Canada to report third-quarter net income of C$179m (US$133.1m), or C$1.16 a share, up from C$130m, or C$1.10, a year earlier. Revenues were C$1.3bn, up 13 per cent from C$1.16bn.

"Our operating income of C$190m, up C$24m, was exceptional and augurs well for sustained profitability," said Mr Hollis Harris, president. "Our network expanded with new Pacific and US destinations."

Passenger load factor was 70.2 per cent, up 1.5 percentage points, and yield per revenue passenger mile gained 2 per cent, excluding subsidiaries. International passenger revenues rose 25 per cent and domestic 4 per cent – price wars reduced domestic yields. Cargo business was strong and repair and maintenance revenues improved. Operating expenses were up 13 per cent, reflecting higher capacity and higber salaries and wages.

For the first nine months, net profit was C$68m, or 49 cents a share, against C$125m, or C$1.06, on revenues of C$3.4bn, against C$3bn. Operating income was C$229m, up C$14m. Air Canada is rationalising its fleet further and is reducing payroll by 900 by next March. *Robert Gibbens, Montreal*

## Domestic stake for Air Jamaica

Air Jamaica has taken a controlling interest in Trans Jamaican Airlines, a domestic carrier which has been divested by the government. Air Jamaica paid about US$1m for a 55 per cent stake. The government is keeping a 20 per cent interest with local investors buying the rest. Trans Jamaican, which has been losing money, will be renamed Air Jamaica Express, and its fleet will be improved, said Mr Gordon Stewart, Air Jamaica chairman.

The airline's operations will be suspended for six weeks while the company is reorganised, said Mr Stewart. The Jamaican government sold a 75 per cent stake in Air Jamaica a year ago to a consortium led by Mr Stewart. *Canute James, Port of Spain, Trinidad*

## MCI, Microsoft forge link

MCI Communications and Microsoft have jnined forces to provide direct access to networkMCI conferencing services in future versions of Microsoft's Windows sofware. Microsoft will work with MCI to develop and deliver enhanced software allowing Windows users to register, reserve and use networkMCI conferencing services for multipoint audin, video and document conferences. *Reuter, Chicago*

# Horsham to reduce its stake in US refiner

By Bernard Simon in Toronto

Hnrsbam, the investment bolding company controlled by Canadian entrepreneur Mr Peter Munk, is to cut its stake in Clark USA by selling minority stakes in the mid-west oil refiner *and marketer to Gulf* Resnurces and Occidental Petroleum.

Occidental and Gulf will pay for their stakes by giving Clark the right to proceeds from the sale of 21m barrels of crude oil over tbe next six years. Clark will also pay $100m in cash to Occidental for rights to the oil.

A Clark official said that the deal wnuld bave the dual advantage of strengthening Clark's balance sbeet through the injection of new eqnity, and providing a new source of cash flow which is not dependent on volattle refining margins.

Weak margins pushed Clark into the red in the first nine months of this year, although it posted a small third-quarter profit.

Under the deal, Clark will issne 6.7m common sbares valued at $147m, giving Occidental and Gulf stakes of 19 per cent and 4 per cent respectively.

Horsham's interest will drop from 60 per cent to 46 per cent. Tiger Asset Management, a US investment fund, will tower its stake from 40 per cent to 31 per cent.

Clark intends tn fund its $100m cash payment from s pending $150m tong-term private bond placement.

Clark is the fourth-largest independent refiner and marketer in the US, with three refineries and about *850* service stations.

The St Louis-based company bas been seeking an equity infusion since it aborted an *initial public offering* a year ago.

Mr Paul Melnuk, chief executive, said Clark still planned to seek a public listing.

"With this increase in our cash flnws, we will be in a position to pursue investment opportunities to continue to expand our business," he said.

# Compaq offers $372m for networking group

By Louise Kehoe in San Francisco

Compaq Computer, the world's largest personal cnmputer manufacturer, plans to acquire NetWorth, a US manufacturer of computer networking equipment, for $372m.

The purchase is the latest in a series of moves by Compaq to expand beyond PCs into business computing networks and systems.

The planned acquisition comes just three weeks after *Compaq announced its intentinn tn* purcbase Thomas-Conrad, a small privately-held manufacturer of network interface cards and hubs. Financial details were not disclosed.

Also last month Compaq launched a range of high perfnrmance "enterprise class" computers, building on its established leadership in the market for workgroup servers.

Last June, Compaq formed a partnership with Cisco Systems, a leading manufacturer of network routers, to develop jnintly a new router.

The moves will "accelerate *the evolution of Compaq from* a PC company to a full service computer company," Mr Eckhard Pfaiffer, Compaq president and chief executive, said.

Compaq will pay $42 a share in cash for NetWorth, a 22 per cent premium nver Friday's closing price of $34¼. Following *the Cnmpaq offer*, NetWorth shares jumped to $41¾ – more than double the price at the beginning of October.

With operations in Taxas and California, NetWorth is a manufacturer nf hnbs, switches and other related networking products. It reported sales of $55.5m for the fiscal year ending in June, a 14 per cent increase. After charges for an acquisition, NetWorth had net losses for tha year of $22.9m.

The proposed acquisition "underscores our commitment to provide our customers with a complete, end-to-end Compaq network solution of the highest quality," Mr Pfeiffer said. "Our offer of $42 a share reflects the recent success of NetWorth's strategy and tha potential *of* our combined strengths.

"We believa the combined organisations will quickly become a market leader in the fast growing internetworking arena," added Mr Gary Stimac, senior vice-president and general manager nf Compaq's *Systems Division*.

Compaq would be able to offer a full range of products for departmental and workgroup computer networks, he said.

As a subsidiary of Compaq, NetWnrth would be able to achieve "top-tier supplier status", said Mr John McHale, founder and chief executive of NetWorth. Mr McHala will become a corporate vice-president of Compaq following the acquisition.

# Kmart seeks to allay balance sheet fears

By Maggie Urry in New York

Kmart, the beavily indebted US discnunt retailer, again attempted to calm speculation over its financial positinn yesterday, repeating remarks that its balance sheet was strong.

The group was responding to rumours that holders of $681m of debt might demand repayment of the loans. Kmart said it did not expect the put options on the loans to be triggered, and that it was in discussions with the lenders to remove the options.

The group last month denied reports it was considering a Chapter 11 bankruptcy filing as a way tn restructure the business while under protection from creditors.

However, the continued speculation has hit Kmart's shares. Yesterday morning they were trading at $9, down $⅜ from Friday's closs. They hsve fallen from a peak this year nf $16¼. Mr Flnyd Hall was appointed chairman and chief executive in June.

A month ago the group said third-quarter profits would be "well below" the 4 cents a share earned in the same quarter of 1994. Further bad news came when Moody's, the credit rating agency, cut the rating on Kmart's *long term* debt to Baa2, and said it was keeping the debt under review for a downgrade.

Ths $681m of loans are tied to 60 stores, and largely relate to mortgage and lease finance. The lenders have the right to have the bonds repaid if Kmart's dabt rating falls below investment grade.

*Mr Marvin Rich*, Kmart executive vice-president for strategic planning, finance and administratinn, said "we do not expect that Kmart will lose its *investment grade rating*".

However, the group is in talks with lenders to change or remove tha put options. Kmart said it expected borrowings to peak at *around* $2.1bn *just* before Thanksgiving Day, a seasonal peak. That would be the lowest peak since 1992.

Floyd Hall: appointed chairman in June

# Moore gains advantage in battle to take over Wallace

By Bernard Simon

Moore, tbe Toronto-based information services gronp, has moved a step closer to winning its three-month battle for Chicago's Wattace Computer Services, by gaining tbe suppnrt of hnlders nf almnst three-quarters of Wallace shares.

Moore said yesterday that 73.5 per cent of Wallace's shares had been tendered to its US$1.4bn bid by last Friday. Moore earlier raised its offer from $56 to $60 a share, but threatenad to abort its bid unless a significant proportion of Wallace sbares were tendered.

Wallace has so far spurned all Moore's nvertures, saying that it would be better off as an independant company. A person familiar with Wallace's strategy indicated yesterday that the company was unlikely to concede defeat, and would hold out for a higher price. Wallace was expected to respond more fully later in the day tn the sharehnlders' defection.

A "poison pill" put in place by Wallace prevents Moore from formally accepting the tendered shares. Wallace has also passed a numbar of by-laws which impede the removal of the board and other measures by a hostile bidder.

Mr Reto Braun, Moore chief executive, called on Wallace's board to "move from obstruction to construction". If it fails to do so, Mr Braun indicated that Moore wnuld pursue a proxy fight at Wallace's annual meeting, scheduled for December 8. Moore has extended its offer to December 11.

Moore is about fnur times Wallace's size, with 1994 sales of US$2.4bn. The two companies operate in similar sectors, including business forms and labels.

However, Wallaca is regarded as the more innovative. Mr Braum has been trying to inject a mnre entrepreneurial culture into Moore since taking over as chief exeutive two years ago.

# Loewen shares tumble after damages order of $500m

By Bernard Simon

*Loewen* Group, the *North* American funeral parlour nperator, has lost about a fifth of its market value after a Mississippi jury nrdered the Vancouver-based cnmpany to pay US$500m in damages fnr breach of contract.

The award represents nearly 20 times the damages alleged by the plaintiff, Gulf National Life Insurance, and 13 times *Loewen's 1994 earnings*.

Mr Ray Loewen, Loewen chief executive, described the case as "a shocking miscarriage of justice". The company plans an "aggressive response" tn contest the verdict. The practice of US juries to award huge and seemingly disprnportinnate, damages, has come under growing scrutiny in recent years.

*Loewen's shares* were C$44 in early trading on the Toronto stock exchange yesterday, down from C$53¾ in the middle of last week.

The damages stem from allegations that Loewen reneged on a deal to buy two funeral parlours in Jackson, Mississippi, with total assets of $8.5m. The plaintiffs also claimed that funeral parlours *controlled* by Loewen *broke* an earlier agreement to use Gulf National as an exclusive provider of insurance policies.

Loewen has expanded rapidly in recent years by buying a large number of small, family-owned funeral partours, mainly in the US. It is now Nnrth America's secnnd-biggest operator, with 764 funeral parlours and 172 cemeteries. It has spent almost US$700m on acquisitions so far this year, double last year's total.

The jury initially awarded $260m in compenaatnry damages. It later reduced the compensatory award to $100m, but added $400m in punitive damages.

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INTERNATIONAL COMPANIES AND FINANCE

## EUROPEAN NEWS DIGEST

# Chase Manhattan in Ibos venture

Chase Manhattan of the US has taken a 24 per cent stake in an electronic interbank transfer system set up by Spain's Banco Santander and Royal Bank of Scotland. The Spanish partner said the sum paid was "substantial". The three banks will have equal boldings in the London-based Ibos venture alongside the US computer company Electronic Data Systems. Goldman Sachs, the US investment bank, has a 3.8 per cent stake. Seven other US and European banks have licence agreements to use the system as non-shareholders, paying annual and transaction fees to Ibos. Chase is now due to hold discussions on joining the group of users, which includes Crédit Commercial de France and Belgium's Kredietbank.

*David White, Madrid*

## San Paolo may sell Ferfin stake

Mr Gianni Zandano, chairman of Istituto Bancario San Paolo di Torino, Italy's biggest bank, said yesterday the bank was ready to sell its large stake in Ferruzzi Finanziaria (Ferfin), tbe holding company, "at a convenient price". His comments seemed to herald an end to San Paolo'a latest challenge to Mediobanca, the Milan merchant bank, which has fought hard over the past fortnight to protect its historic influence over Ferfin and Montedison, the industrial company it controls.

San Paolo, which owns a 15.75 per cent stake in Ferfin, was upset by the holding company'a plan for a L1,035bn ($650m) capital increase, organised by Mediobanca. But since the rights issue was announced two weeks ago, Mediobanca has built up a defensive stake of just over 11 per cent in Ferfin.

Separately, San Paolo revealed yesterday that the shareholder syndicate which controls Banco Ambrosiano Veneto, another large Italian bank, had offered L7,000 a share for the Turin bank's stake in Ambroveneto. The offer, a substantial premium to the market price, means San Paolo will realise a capital gain of L235bn on the sale of the 20 per cent holding.

*Andrew Hill, Milan*

## MBO at Novo Nordisk arm

Novo Nordisk, the Danish insulin and enzymes producer, has sold its Ferrosan subsidiary to Ferrosan's management for DKr200m ($36.47m). Novo Nordisk bought Ferrosan in 1987 for DKr600m in order to acquire Ferrosan's research and development team and products in the field of diseases of the central nervous system. Ferrosan's operations now comprise vitamins, dietary supplements and digestive aids, with a turnover last year of about DKr700m. In addition to a payment of DKr200m, Ferrosan will also repay a debt to Novo Nordisk and others of DKr200m.

*Hilary Barnes, Copenhagen*

# Stora trebles to SKr6.2bn at nine months

By Hugh Carnegy in Stockholm

Stora, the Swedish forestry products group, yesterday unveiled a threefold increase in profits in the first nine months of the year and pledged to defend price levels with prodnction cutbacks if demand for pulp and paper weakened.

Profits after financial items jumped from SKr2bn last time to SKr6.2bn ($932.4m) as Stora continued to reap the rewards of sharply higher prices for pulp and paper products. Gronp sales rose from SKr35.3bn to SKr43.3bn. The results were in line with market expectations.

However, snch strong results, mirroring the trend this year for all the big Nordic forestry groups, have long since stopped impressing investors, who have for several months been nervously anticipating a downturn in this highly cyclical industry.

Stora's share price was unmoved at SKr82.50 yesterday, while the Swedish forestry sector index fell by 1.5 per cent.

Stora said demand for newsprint and uncoated and coated magazine paper, which accounts for 50 per cent of its output, remained strong. But it admitted orders for fine papers, packaging papers and pulp had declined during and after the European summer.

It put this down chiefly to seasonal factors and inventory reductions, but added that "a weakening in tbe rate of increase in demand is a factor which cannot be discounted". It said it had imposed production limitations for fine papers and board as a result.

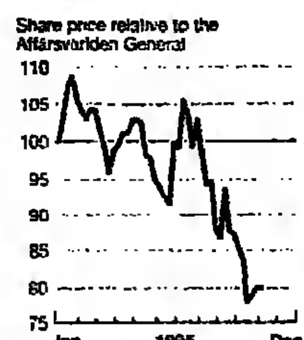
However, Mr Lars-Ake Helgesson, chief executive, was defiant, saying Stora believed a bounce back in the last quarter of this year, or early next year, was possible. He said Stora was not disconnting pulp prices, and was sticking to the new level of $1,000 a tonne establisbed in October, which has been seen by the industry as indicating whether the cycle has peaked.

Some industry leaders have said the price rise will not stick, but Stora said it was trading at the new level.

Mr Helgesson added Stora would cut production rather than cut prices. "We will not lower prices, we will not build inventory. We would rather go for production curtailments," he said.

Group operating profits in the nine months rose from SKr2.9bn to SKr7bn, with the biggest advances coming from printing papers and pulp. Operating profits from printing papers rose from SKr551m to SKr2.25bn, while for pulp the increase was from SKr217m to SKr1.6bn.

Fine paper operating profits were up from SKr485m to SKr1.2bn. The slowest advance among the four main product areas was for packaging papers and board, where operating profits were up from SKr946m to SKr1.5bn.




# Strong demand helps Scania rise to SKr3.8bn

By Hugh Carnegy

Scania, the Swedish truck and bus manufacturer, yesterday reported profits ahead by almost 50 per cent in the first nine months, as it continued to benafit from the strong upswing in global demand for beavy trucks.

Profits after financial items rose from SKr2.6bn to SKr3.8bn ($571.5m) on sales up 35 per cent from SKr18.8bn to SKr25.4bn.

Sales of trucks by value were ahead by 10 per cent, rising from 21,497 units to 29,156 units, while bus sales grew by a mnch bigger margin – 58 per cent – rising from 1,984 in the same period last year to 3,143.

Scania, a flagship company in the Wallenberg family industrial empire, was spun off from its erstwhile partner Saab aviation in a restructuring earlier this year by Investor, the Wallenberg bolding company that bolds 100 per cent of both groups.

A stake of up to 75 per cent is to be floated on the stock market, possibly early next year.

The company confirmed its cberisbed positioo as tbe world's most profitable truck maker in the first nine months, achieving an operating margin of 15.3 per cent, up from 13.7 per cent at the same stage last year.

Last month it launcbed its first new series of trucks for 15 years, which it hopes will entrencb its strong market positions in westero Europe and South America.

But the nine-month figures contained some warning signals that the cycle for Scania may be close to peaking.

The company said the influx of new orders in western Europe – where it improved its market sbare from 12.6 per cent to 14.5 per cent – had levelled off since the second quarter. "This indicates the current growth rate in the western European heavy truck market is low," it said.

It added that demand for heavy trucks in Brazil, which has been very high in recent years, had dampened due to tbe tightening of local credit conditions.

Scania's market share in Brazil slipped slightly from 36 per cent to 34 per cent, but it increased in Argentina from 34 per cent to 39 per cent.

# Playboy in Rhodes casino deal

By Kerin Hope in Athens

Greece has awarded a casino licence for the island nf Rhodes in a consortium that includes Playboy Enterprises, marking the US entertainment group's return to the casino business after a more than a decade.

The licence was awarded as part of a government project to establisb 11 casinos run by international operators nver the next three years. The government bopes the new casinos will attract more bigbspending domestic and foreign tonrists.

Playboy has a 16 per cent stake in tbe Castno Rhodes consortium, wbicb patd Dr2.38bn ($10.2m) fnr tbe llcence. Two other partners – Ainelas, a venture capital company controlled by Greece's state-owed Commerclal Bank, and Mecbanlki, one nf Greece's largest construction companies – each bave a 33 per cent stake. The other consortium partners are Haragkionis, a Greek property developer, and Geronicolas, a local hotel group.

Playboy will be responsible for running gamtng operatlons, and is expected to provide a steady flow of cllents from the US.

# Bremer Vulkan shares at new low

By Judy Dempsey in Berlin

Shares in Bremer Vulkan, one of Germany's largest shipbuilding groups, yesterday fell to a new low following allegations that one of its banks would not provide additional credit unless the company offered adequate collateral.

Shares fell DM6.30, or 14 per cent, to DM38.80 at the close of trading on the Frankfurt stock exchange. Earlier this year its shares stood at DM97.20.

The sharp fall followed the leaking of a letter allegedly sent by a supervisory board member of Bremer Vulkan to the management board last week. The aupervisory board mambar, wbo represents Dresdner Bank, allegedly said the bank was not prepared to extend further credit until the group offered adequate capital. Dresdner Bank yesterday would not comment on the matter.

But Commerzbank, one of Bremer Vulkan's other house banks, and which is also represented on tbe supervlaory board, denied the enterprise was facing difficulties raising more credit. "We still think Bremer Vulkan is a viabla company with a good future," it said.

The fall in shares coincides with attempts by the board of Bremer Vulkan to find a successor to Mr Friedrich Hennemann, tha chairman. He was forced to resign in September – but will remain pending the appointment of a successor – after the company had run up substantial losses and sought additional credits of DM300m to finance investments.

For the first half of this year, Bremer Vulkan had after-tax losses of DM27.4m ($19.7m) on sales of DM2.3bn, compared with net losses of DM3.8m on sales of DM2.7bn in the same period the previous year. However, its incoming shipbuilding orders showed a 53 per cent increase. By tha end of September, its outstanding debts totalled DM1bn.

Analysts said the losses were due to a number of reasons, including competition from south-east Asian shipbuilders and Mr Hennemann's ambitious expansion programme.

Bremer Vulkan yesterday admitted investors' confidence had been undermined by its inability to put a new management in place and develop a strategy.

# Continental sees marked increase

By Andrew Fisher in Frankfurt

Continental, the German tyre company, said profits would show a marked increase this year, based on its performance in the first nine months, and expressed optimism over likely progress in 1996.

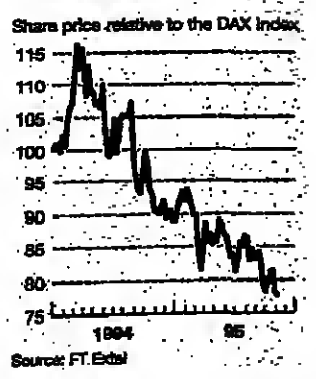
"The fruits of our hard work in the last few years are now beginning to ripen," the company said, referring to its cost-cutting and productivity efforts.

Pre-tax profits in the January-September period were well above the corresponding level of 1994 and exceeded budget plans. The company has already announced a 53 per cent rise in first-half pre-tax profits, to DM580m ($409m).

Turnover was 3 per cent higher in the first nine months at DM7.44bn, although the rise would have been nearly 8 per cent but for tha D-Mark's strength.

Noting that the German economy had atarted to weaken since the end of the first quarter, it said turnover for the full year would probably be around DM10.2bn, or 3 per cent above that of 1994.

Continental said it was confident of eventually achieving its aim of a continued net yiald on turnover of 2.5 per cent, as a result of its increased internal strength and financial progress. Last year's return was 0.7 per cent and analysts expect around 1 per cent this year and about 1.5 per cent in 1996, with the 2.5 per cent level expected in 1997 or 1998.




The company said it expected 1996 to show continued stable business conditions, with no further sharp increases in raw material prices. It had been abla to raise prices on the highly competitiva original equipmant side for the first time in many years. It had also lifted prices on the replacement market in order to recover soma of the costs caused by higher raw material prices.

The extent of the full 1995 profits rise would depend on the winter tyre season, the company said. It expressed confidence thet its new winter tyres would be successful in the market. On the truck tyre side, it said break-even was expected next year.

Group admits it needs to be more open as it tries to counter April's downgrading

# Bank of China reveals depth of HK presence

**By Simon Holberton and Peter Montagnon in Hong Kong**

The Bank of China group has HK$700bn (US$90bn) of assets in Hong Kong and controls about one-quarter of the colony's loans and bank deposits, a senior executive of the bank said.

In a rare interview, designed to counter the negative impression created by the downgrading of the bank by Moody's Investor Services in April, Mr Zhang Hongyi, deputy chief executive of the Hong Kong and Macao regional office, revealed hitherto unpublished details of the bank's operations.

He said the bank was aware of the need to be more open as it prepared to assume the chairmanship of Hong Kong Association of Banks next year. He said the Bank of China accepted the need to work with the Hong Kong Monetary Authority and observe its rules.

Mr Zhang said the group's Hong Kong operations accounted for 85 per cent of the group's overseas assets, which in turn accounted for half the group's consolidated balance sheet. In the year to December 1994, Bank of China reported consolidated assets of Yn2,075bn (US$159bn), with total loans of Yn1,016bn and consolidated net worth of Yn88.5bn.

He said Moody's had not given the bank a chance to defend itself against the downgrading of its credit rating in April. "They didn't come to see us. They said it was a decision by New York."

However, Mr Edward Young, managing director of Moody's Asia Pacific, said: "We give every issuer in every case an opportunity to talk to us."

Bank of China accepted that the downgrading made its paper ineligible for rediscount by the Hong Kong Monetary Authority. But it said its funding costs had not been affected by the rating decision.

"The local banking community fully recognises the style and work of the Bank of China group. Our reputation has been good for years," he said.

Mr Zhang said profits in Hong Kong were "pretty good" but there was still some room for improvement.

**Operations in the colony accounted for 85 per cent of the bank's overseas assets, which in turn accounted for half the group's consolidated balance sheet**

The Bank of China had only just started its merchant banking business and needed to develop more commercial banking products to compete with other leading banks in the colony.

Mr Wang Chang Yao, general manager economic research, said the bank did not intend to "grab" market share after the handover of Hong Kong in 1997, but wanted to pursue a policy of "friendly competition" with other banks. "In this way we can make the cake larger and larger," he said.

Mr Zhang said the bank accounted for 25 per cent of total deposits in Hong Kong and 23 per cent of the Hong Kong dollar lending market. However, its relative inactivity in lending other currencies pulled its share of the total onshore and offshore banking market down to 9 per cent.

It specialised in trade finance and project loans, and kept its share of property lending below 40 per cent of total advances in line with official guidance. "Because we are doing business in Hong Kong we must abide by the local regulations set by the monetary authority," Mr Zhang said.

Bank of China accounts for 5 per cent of the note issuance in Hong Kong. It expects its share to increase "to some extent" after 1997 but "that depends on decisions by the Hong Kong Monetary Anthority and we have to consult with them".

Mr Zhang wants to introduce more modern technology, for example in electronic banking, and upgrade management. Control of costs was important given Hong Kong's high wage levels. The group employed 18,000 staff in Hong Kong and Macao, he said, of which less than 2 per cent was from the mainland.

Total employment levels were stable but the bank was shedding labour in commercial banking and adding personnel in merchant banking.

Wage levels for lower and middle ranking staff were about the same as at other banks, whereas remuneration was "a bit lower" at senior levels.

# Omron shrugs off domestic doldrums

**By William Dawkins in Tokyo**

Omron, Japan's leading maker of electronic control equipment, yesterday reported more than doubled interim profits, thanks to cost cutting and greater overseas procurement.

Omron's recurring profits – before tax and extraordinary items – rose 144 per cent to Y7.52bn ($73m) in the six months to September, on sales up 8 per cent to Y190.4bn.

The group found few signs of economic recovery in Japan during this period, with the exception of the semiconductor and personal computer industries, which both benefited from a surge in world demand.

To squeeze more profit out of its slowly growing domestic base, Omron continued to focus on streamlining the company and making higher value-added products.

Turnover growth would continue to be weak – up 4 per cent for the year to next March, to Y405.5bn, the company predicted.

Recurring profit is forecast to rise 58 per cent over the same period to Y18bn.

Omron's best performing division in the first half was control components and systems, with a 14 per cent rise in sales, accounting for 60 per cent of the company's total.

This was entirely the result of a surge in plant investment by the group's customers in the semiconductor and liquid crystal display industries in Europe, North America and Asia.

Sales in speciality products and public information and traffic systems fell, partly because of orders cancelled or delayed by customers hit by the Kobe earthquake in January and partly due to weak demand from the Japanese car industry.

However, sales in health and medical products, and open systems – computer equipment – rose.

The electronic fund transfer systems managed to hold sales steady, thanks to continuing investment by consumer finance companies.

## ASIA-PACIFIC NEWS DIGEST

# Turkey takes back control of utility

Turkey's Energy Ministry has taken control of Çukurova Elektrik (Çeas), an electricity utility and one of the country's most active stocks. It cited management irregularities following its privatisation in 1993.

Officials are threatening further action, alleging misappropriation of company funds, violation of a concession agreement and mounting debts with the Treasury.

Turkey's Uzan family took control of Çeas, a hydroelectricity generator and distributor in central Turkey, during its privatisation in 1993. The company soon came under investigation for alleged financial irregularities, making it a path-finder case in upholding minority shareholder rights, as well as in regulation of privatised companies.

Analysts say the principal issue at stake is the family's use of Çeas cash flow to finance its own business interests. These include the acquisition of cement factories and a mobile telephone operation.

Regulators are also examining allegations that the company, which exercises a local a monopoly, is charging higher prices than agreed under its privatisation contract.

The family says it will appeal the ministry's decision, adding that it is the victim of political persecution because its InterStar TV channel has broadcast several highly critical programmes about the financial affairs of Mrs Tansu Çiller, the prime minister.

*John Barham in Istanbul*

## Tokyo Electron sees growth

Tokyo Electron, the Japanese semiconductor maker, is forecasting strong profits growth. It said the company's parent current profit for this fiscal year to March 31 1996, was likely to more than double from a year earlier. The world boom in personal computers, it added, was boosting demand for machines used to make computer chips.

World semiconductor makers are aggressively expanding capital spending in order to raise chip output amid the personal computer boom, increasing demand for semiconductor-manufacturing equipment, the electronics trading company said.

Tokyo Electron estimates 1995-96 parent current profit at Y41bn ($395.5m), against Y18.61bn a year earlier.

● Hitachi, the Japanese electronics group, is entering the US personal computer market, with the establishment of Hitachi PC Corp which will design, sell and service advanced notebook computers and systems. Hitachi PC will have a capital of $20m and employ about 100 people, it said.

*Agencies, Tokyo*

## Bimantara Citra soars 79.7%

PT Bimantara Citra, the Indonesian holding company, said its unaudited after-tax profit for the first nine months of 1995 rose 79.72 per cent from a year earlier to Rp80.99bn ($35.5m).

Bimantara said net revenue in the first nine months of 1995 gained 11.75 per cent to Rp470.868bn from the same period in 1994. But the company said gross profit in the first nine months of 1995 slid 11.19 per cent to Rp189.991bn from 1994.

*AP-DJ, Jakarta*

## Sony Music predicts decline

Sony Music Entertainment (Japan), the core company of Sony group's domestic software business, said its parent current and parent net profit for this fiscal year, to March 31 1996, were likely to decline from last year. The company blamed an expected rise in advertising costs.

Sony Music added that it planned to introduce more artists than in the previous year, and would have to spend more money promoting them.

*Reuter, Tokyo*

# Pacific Plywood in Hong Kong share issue

Pacific Plywood Holdings, a Malaysian-based plywood manufacturer, is raising HK$253m (US$32.7m) through an issue of 220m new shares in Hong Kong at HK$1.15 a share, Reuter reports from Hong Kong.

Of the 220m new shares, 50 per cent will be placed with institutional investors and the remaining 50 per cent offered to public investors. Subscription opens today and closes on Friday. Trading on the Hong Kong Stock Exchange is expected to begin on November 20.

Pacific Plywood forecasts combined profit of HK$160m, after taxation and minority interests but before extraordinary items, for the year ending December 31 1995, up 27.5 per cent from the year before.

"Based on this forecast, the weighted average prospective price to earnings ratio is 4.94 times," the company said. A final dividend of 1.3 HK cents a share is forecast.

The company manufactures, distributes and sells plywood and veneer products.

# Forged scrips put heat on Malaysia

## The problem could not have come at a worse time for the KLSE

The Kuala Lumpur Stock Exchange, the biggest in south-east Asia and traditionally one of the region's most volatile, has been as exciting as a curry without any bite. But all that has changed in the past week.

A spate of rumours of millions of forged share scrips has caused a wave of uneasiness to sweep through the investment community, hitting the market just when it is being dogged by several other issues.

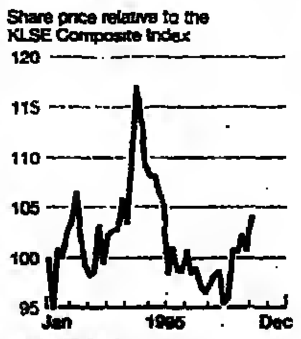
The share scrip saga began at the beginning of last week when the exchange uncovered a quantity of forged shares in Genting, one of Malaysia's biggest companies. Genting makes most of its money from its Malaysian casino monopoly.

Initially the number of errant shares was said to be small. But as the week went on, that view changed. "There are at least 7m forged scrips in circulation," one analyst said. "Genting is only the tip of the iceberg. Most of the big groups on the exchange have similar problems."

The exchange authorities were furious. They accused unnamed parties of indulging in malicious and irresponsible rumours. They blamed reports circulating in a neighbouring country, a common euphemism for Singapore.

**Genting**

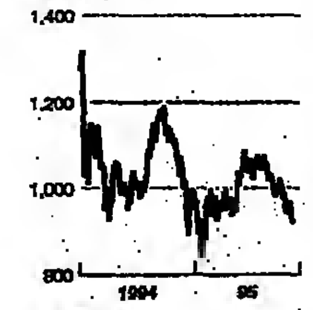
Share price relative to the KLSE Composite Index




Source: FT Extel

**Malaysia**

KLSE Composite




Source: FT Extel

The Kuala Lumpur and Singapore exchanges are in a hotly contested battle to lure more investors. Earlier this year the Malaysian authorities announced plans aimed at making Kuala Lumpur a regional financial centre. Kuala Lumpur and Singapore are competing to attract investors and fund managers from Hong Kong in the run-up to Chinese rule in 1997.

The Kuala Lumpur Exchange issued a statement saying it would guarantee all shares transacted through Malaysian stockbroking companies, forged or otherwise. To date, 166,000 fake Genting share lots have been discovered, with a value of more than M$3m (US$1.2m). Nine people have been arrested, including a Singapore national.

The exchange insists it has the situation under control. It is in the process of converting to fully scripless trading and says all Genting shares will now be fed into the new system – and be suspended until December 7.

The affair is another blow to a market that is already looking weak at the knees. At the beginning of last year the Kuala Lumpur index was nudging 1,300 points. Now it is in the low 900s. In the past week the market has lost nearly 4 per cent of its value.

Domestic interest rates are edging up and attracting money out of the market. Foreign investors are waiting on the sidelines, worried about Malaysia's growing current account deficit.

"The forged share scrip problem could not have occured at a worse time," one local fund manager said. "It was just another reason for people to pull out."

**Kieran Cooke**

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# INTERNATIONAL COMPANIES AND FINANCE

## Property sale bolsters China Light and Power

By Louise Lucas in Hong

Shares in China Light and Power slumped 4.6 per cent to HK$39.50 and led the Hong Kong market downwards after the colony's electricity supplier reported worse than expected profits.

The group recorded a 34.9 per cent improvement in net earnings. to HK$5.67bn (US$733.5m) in the year to September 30, from HK$4.2bn last year. However, the results were heavily bolstered by a property sale windfall.

CLP attributed slowing growth at the operating level to Hong Kong's maturing economy, which has seen manufacturing companies migrate across the border to southern China; the slowdown in the economy; and a cooler than usual summer in Hong Kong, which reduced the use of air conditioners.

Sir Sidney Gordon, chairman, said the company would look at overseas opportunities to take up the slack as growth in Hong Kong levels off.

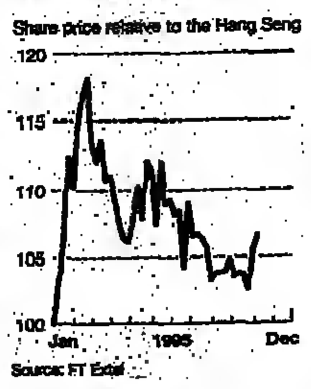
CLP, the monopoly supplier of electricity to populous Kowloon and the New Territories, saw earnings coming under the terms of its scheme of control increase 12.3 per cent to HK$4.1bn from HK$3.6bn, while non-mainstream activities contributed HK$321m, down 45.3 per cent on last year's HK$586m.

The slump was blamed on reduced contributions from property subsidiaries and on provisions mada for costs associated with developing power projects outside Hong Kong.

Outside Hong Kong, CLP has plans for a 3,200MW joint venture in Shandong province. The project remains subject to negotiations between the Chinese authorities, international credit export agencies and the project partners.

China Light & Power

Share price relative to the Hang Seng




Source: FT Extel

It has also earmarked projects in India (in tandem with Cogentrix Energy of the US), Indonesia and Thailand (a bid put together with Exxon Energy of Hong Kong, Esso Thailand and two leading local companies).

On a per share basis, earnings rose 34.9 per cent to HK$2.85 from HK$2.11. But stripping out the proceeds from the switch of a former power station site to a property development joint venture with a subsidiary of Cheung Kong, the property company controlled by Mr Li Ka-shing, the earnings per share increase was cut to 4.3 per cent, from HK$2.11 to HK$2.20.

CLP realised a capital profit of HK$1.3bn from the HK$1.45bn paid by Cheung Kong's subsidiary in previous years, and the company noted in a statement: "While capital profits on the disposal of land are not unusual, the size of this profit is considered exceptional".

The final dividend is 37 cents. Three interim dividends of 32 cents each are expected to be paid in 1996.

## Dominion Mining to sell gold-mining assets

By Nikki Tait in Sydney

Dominion Mining, the Western Australian resources group, is to sell most of its gold-mining assets to Plutonic Resources for A$80m (US$60.6m), allowing it to focus on development of the Yakabindie nickel project and an exploration project in South Australia.

The deal brings to an end months of speculation about a likely restructuring at Dominion. Last year the company was the target of an all-paper bid from the smaller Gold Mines of Australia. It had been proving unpopular with investors because of the short life of its existing gold operations and the failure to provide new proven reserves.

GMA's highly-conditional offer was withdrawn, and North, the big Melbourne-based resources group, emerged as a 15 per cent shareholder in Dominion.

Management at Dominion changed, and in September this year, the company said it wanted to separate the gold assets, which were built up in the mid-1980s, from the Yakabindie project and associated technology interests.

The assets being sold to Plutonic comprise Dominion's stake in the Mount Morgans gold project and the wholly-owned Meekatharra project, both in Western Australia; a 17.3 per cent stake in Eagle Mining, a listed exploration company, focused on the eastern goldfields in WA; and several explorations interests and projects in WA, Queensland and the Northern Territory.

The sale of the Eagle shares has already gone ahead at a price of A$2.24 a Eagle share, or A$24.5m in total. The other assets are being priced at A$55.6m. Overall, the assets being sold have a book value of A$64.7m.

Dominion is offering to return part of the sale proceeds to shareholders, through a 12.5 cents a share payout.

## ASIA-PACIFIC NEWS DIGEST

### Telkom domestic offer successful

The Indonesian government said yesterday the domestic offer of shares in PT Telkom, Indonesia's state-owned telecoms operator, had been fully subscribed.

The privatisation of PT Telkom, which could raise between $2.5bn and $3.1bn for the government, is Indonesia's largest share offer to date and the first real attempt to include domestic retail investors in the privatisation programme.

Based on a preliminary count, more than 337,000 applications for Telkom shares were submitted, the government said. Although the shares in the domestic offer have been subscribed at a price of Rp2,800, the final price is expected to be set at Rp2,500 or below to allow the shares to perform well when they start trading in the stock market.

The government needs Telkom shares to increase in value in order to make up for the poor stock market performance of the tin-mining company Tambang Timah following its recent flotation.

The domestic offer represents 12.5 per cent of Telkom's total outstanding shares, while the the international offerings of American depositary shares (each representing 20 Telkom shares) amount to a further 15 per cent of the company's share capital. The price range set for the international offerings is between $19.50 to $24.50. In addition, the international underwriters have a "green shoe" or over-allotment option of up to 15 per cent of the global offer size. *Antonia Sharpe*

### First-half slide at Email

Email, the Australian appliance manufacturer and building products group, blamed the downturn in the housing market in Australia for a fall in first-half profits from A$45.5m after tax last year to A$26.6m (US$20.1m).

Email, which had already warned the stock market of a fall in interim profits, said sales dipped by 3.3 per cent, to A$1.02bn. It also confirmed it would maintain the dividend at 11.5 cents a share, in view of the company's "strong underlying cash flow".

At the pre-tax level, the sharpest fall came in the building products division, where profits sank from A$18.8m in the first half of 1994-95 to A$3.44m. The major appliance division also fared badly, making only A$1.02m, compared with A$9.95m in the same period of the previous year.

The industrial products unit managed a small improvement, at A$16m before tax against A$14.2m a year ago. The metals distribution business, however, slipped from A$22.8m to A$21.7m.

Email also warned that, while residential housing construction forecasts indicated that they had seen the worst of the fall in this sector, "there could still be some further deterioration through to the end of the trading year". However, the company said second-half profits after tax should be higher than those of the first half. *Nikki Tait*

### Eastern Energy deal under fire

The proposed A$2.1bn sale of Eastern Energy, one of five electricity distributors being privatised by the Australian state of Victoria, to a large US utility cama under attack yesterday. Both federal politicians and consumer lobbyists urged the federal treasurer to review the transaction.

The sale, to Texas Utilities, one of the largest US utilities, was announced on Sunday. It is the third distribution company to be disposed of by the state, as part of a programme to privatise the entire industry. However, while foreign investors were involved in the earlier winning bids, this is the first asset to pass directly into 100 per cent foreign ownership.

In Canberra, Senator Cheryl Kernot, leader of the Australian Democrats, urged tha treasurer "to ensure that a proper study is done by a competent body to ensure that this deal is in the best interests of Victorians and the nation".

She noted that, because Eastern was being sold by a government-owned body, the normal Foreign Investment Review Board procedures did not apply. There was no immediate response from the treasurer's office. *Nikki Tait*

### ANI to reduce Holter stake

Australian National Industries, the Sydney-based engineering group, is planning to reduce its interest in the Holter Group, its European environmental engineering unit, to 50 per cent by creating a new joint venture with Saarberg, the government-owned German group.

As a first step, Saarberg will replace Kruger, the Danish company, as ANI's partners in the Kruger Holter waste-water joint venture. Mr Ted Harris, ANI's chairman, told shareholders at yesterday's annual meeting: "Saarberg and ourselves have agreed, as part of the restructuring of the joint venture, to continue due diligence aimed at merging the remaining activities of Holter and the other environmental activities of Saarberg."

Mr Harris also said pre-tax profit in the second half should exceed the same period a year ago, and full-year profit should be roughly similar to that of 1994-95. ANI's first quarter earnings before interest and tax fell 32 per cent to A$19.4m. *Nikki Tait*

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## COMPANY NEWS: UK

# Approaches to BA on US link

By Michael Skapinker, Aerospace Correspondent

British Airways has had approaches from several US airlines which want to form transAtlantic partnerships if the UK carrier ends up selling its 24.6 per cent in USAir, Sir Colin Marshall, BA chairman, said yesterday.

Sir Colin said BA would prefer to retain its links with USAir, which is in talks with both American Airlines and United Airlines. But he said that if USAir was taken over and regulators required BA to sell its stake, he was confident of finding another US partner. "They're lining up," Sir Colin said.

BA yesterday announced first half pre-tax profits of £430m, ($679m) up 23.2 per cent and at the top end of expectations. The interim dividend was 3.85p, up 10 per cent. The airline filled more seats than ever before, with first-half passenger load factor – or aircraft occupancy – of 76.9 per cent.

Sir Colin, who is to become non-executive part-time chairman in January, said he did not believe BA could lose from the interest that United and American were showing in USAir.

He said that if another US carrier acquired a substantial part of USAir and BA was allowed to retain its stake, the UK carrier would be part of an even stronger alliance.

"The worst case scenario is that nothing happens and the status quo remains. And the status quo is very satisfactory. It will in itself continue to enhance tha profit performance of BA and USAir."

BA and USAir expected to announce 14 new code-sharing cities, bringing the total to 85. Code-sharing means that one airline sells seats on a flight operated by another. Sir Colin said the number of passengers transferring between the two airlines had increased by 50 per cent in the first half.

Mr Robert Ayling, managing director, who becomes chief executive in January, said he aimed to rid BA of the vestiges of its public sector culture. The airline was privatised in 1987.

Mr Ayling said his aim was to make BA the best managed company in the UK within five years. He said that while it was already a well-run company, it needed to be better.

Mr Ayling said: "To be better than we are requires a change in attitude. It requires that we throw off for all time the attributes and attitudes of the public sector." He said that Many BA staff felt the group was still too hierarchical and bureaucratic and that managers did not have enough freedom of action.

# Sugar gains help ABF rise 12%

By Peggy Hollinger

Associated British Foods shares edged ahead yesterday 16p to 704p as the milling, baking and sugar group announced better than expected results yesterday with a 12 per cent rise in operating profits.

The increase from £300m to £335m ($529m) for the year to September 16, was struck on sales 8 per cent ahead at £4.9bn. Profits at the operating level were some £10m ahead of analysts' expectations. The rise was fuelled partly by one-off gains in the group's British Sugar business and the beginning of a turnround in the difficult baking sector.

Pre-tax profits declined, however, from £382m to £375m due to disposals made in the financial reorganisation last year.

Mr Garry Weston, chairman, said the numbers had "come together very well in the end". But Mr Weston said investors should be cautious about expecting similar results from ABF in the current year.

British Sugar was able to net between £7m and £8m on the export of sugar which could not be sold in the UK. This was to be a one-off gain, said Mr Weston. The division, which contributes more than half the group's profits, also benefited from cost cutting to return a 10 per cent increase in operating profits to £184m.

Milling and Baking also showed a welcome turnround after five years of falling profits. Mr Weston said this too was the result of a widespread rationalisation. More importantly, a small bread price increase of 2p had finally held.

Net cash stands at £601m, some £54m less than last time. Mr Weston said ABF continued to look for commodity acquisitions in the US and in developing regions such as the Far East.

# Schroders wins German mandate

By Michael Lindemann in Bonn

Schroders, the London-based investment bank, yesterday beat five rivals to win its first tender to advise the German government.

The mandate is to advise on the future of Postbank, the postal savings bank for which Deutsche Post recently launched an unusual hostile DM3.1bn ($2.2bn) takeover bid. Both companies are state-owned and will eventually be privatised.

Other contenders were Morgan Stanley, J.P. Morgan, Merrill Lynch and Salomon Brothers, of the US, and Union Bank of Switzerland. Officials in Bonn said Schroders had won the bid to advise the government because it had submitted the most "economic" offer.

Schroders has until the beginning of January to recommend ways to "develop the competitiveness" of both Deutsche Post and Postbank. The companies are overseen by the German ministry for post and telecommunications.

Schroders must also consider how the government can best fulfil its constitutional obligation to keep open the maximum number of post offices – at least 10,000.

Mr George Mallinckrodt, chairman, suggested the bank may have won the bid because of its experience of advising on postal banks in the UK and the Netherlands.

In 1990 Schroders advised the Royal Mail on the sale of Girobank and in 1991 it advised the Dutch insurance group Nationale-Nederlanden on its fusion with NMB Postbank.

"Clearly the Postbank situation involves questions we have dealt with before," Mr Mallinckrodt said.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ABF | Yr to Sep 18 | 4,894 | (4,513 ) | 375 | (382 ) | 55.6 | (68.7 ) | 4.5† | Mar 1 | 7.5 | 13 | 16♦ |
| Blacks Leisure | 6 mths to Aug 31 | 31 | (31.8 ) | 0.736 | (0.053L) | 1.59 | (0.62L ) | 0.75 | Feb 4 | 0.75 | - | 2.25 |
| British Airways | 6 mths to Sep 30 | 4,029 | (3,782★) | 430 | (349 ) | 33.8 | (27.2 ) | 3.85 | Jan 31 | 3.5 | - | 12.4 |
| Business Post | 6 mths to Sep 30 | 30.5 | (23.6 ) | 5.94 | (3.81 ) | 7.9 | (5.1 ) | 3 | Jan 4 | 1.9 | - | 6 |
| Graduate Appointsφ | 6 mths to Sep 30 | 0.921 | (0.230 ) | 0.039 | (0.021 ) | 0.07 | (0.42 ) | - | - | - | - | - |
| Lynx Holdings | Yr to Sep 30 | 32 | (21.5 ) | 2.56♦ | (2.01 ) | 3.73 | (4.5 ) | 1.15 | Feb 1 | 1.04 | 1.55 | 1.4 |
| Prowting | 6 mths to Aug 31 | 50.4 | (44.5 ) | 4.12 | (4.42 ) | 3.3 | (3.6 ) | 1.9 | Jan 6 | 1.9 | - | 3.8 |
| Sabeland | 6 mths to Sep 30 | 15.5 | (14.6 ) | 1.93 | (1.08 ) | 2.77 | (2.89 ) | 0.9 | Mar 7 | 0.86 | - | 2 |
| Seton Healthcare | 6 mths to Aug 31 | 35.4 | (26.3 ) | 6.12 | (4.03 ) | 9.8† | (8.9 ) | 2.4† | Jan 31 | 2.2 | - | 7.2 |
| Stratagem | Yr to Aug 31 | 90.7 | (80.4 ) | 4.05 | (2.12 ) | 19.8 | (12.7 ) | 4† | Jan 2 | 3.5 | 6 | 5 |
| Wilshcroft | 6 mths to Sep 30 | 68.8 | (66.7 ) | 3.45 | (6.74♥ ) | 8 | (16.7 ) | 1.75 | Jan 29 | 1.5 | - | 4.25 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TR Far East Income | Yr to Aug 31 | 166.4 | (182.8★) | 2.9 | (2.69 ) | 6.13 | (5.74 ) | 1.6 | Jan 2 | 1.4 | 3.1☆ | 5.5 |
| Johnson Fry Second | 9 mths to Sep 30 | - | (- ) | - | (- ) | - | (- ) | 1.6■ | Jan 15 | 1.5 | - | 6.4‡ |
| Fleming Chinese | Yr to Sep 30 | 65.2 | (85.0 ) | 0.515 | (0.487 ) | 0.85 | (0.81 ) | 0.5⁂ | Dec 15 | 0.5 | 0.5 | 0.5 |

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ♦Excludes special 10p payment. ☆Excludes special 1.5p payment. ‡Excludes special 0.54p payment. ★Comparatives restated. ♥After exceptional credit. φ Aim-traded stock. ■Third interim, making 4.8p so far. ⁂ single final.

# CSW provides a shock to the recs

**David Wighton** analyses the latest bid in the dwindling supply of electricity companies

Central and South West's agreed bid for Seeboard demonstrates that the electricity sector has lost none of its capacity to surprise.

It was no secret that Central and South West Corporation was keen to buy a regional electricity company after bowing out of the bidding for Norweb.

But Seeboard was seen as one of the less likely targets given its firmly stated aim to remain independent and its good image in the City.

Even more surprising is the price that CSW is paying. Adjusting for the Seeboard scrip issue last year, CSW has offered £12.70 a share in cash.

That is almost 10 per cent more per share than the highest per share rec bid to date, North West Water's offer for Norweb, and it is more than 30 per cent above the bid by another US utility, the Southern Company, for South Western Electricity.

Admittedly, such per share comparisons can be misleading.

Although the recs were all floated at 240p a share in 1990, their performance has since diverged quite significantly. They were also given different per share stakes in the National Grid.

The comparison with Norweb is still striking. In partnership with fellow Texas-based utility, Houston Industries, CSW bid £10.85 for Norweb but the Texans pulled out of the auction when North West Water upped the stakes to about £11.60.

Yet that represents only 12 times Norweb's earnings for the year to March 1995 while CSW is offering 13.6 times Seeboard's earnings.

What is more, many City analysts believe North West Water is overpaying for Norweb, even though it will get significant operational and tax savings which are not available to CSW.

In part, this stems from the fact that North West is meeting some of the costs of its bid from an issue of its relatively lowly rated shares, while CSW will fund its offer for Seeboard with cheap debt.

The full price reflects not only Seeboard traditional premium rating but also CSW's determination to scare off any potential rival bidders and prevent another auction. To secure its position further, CSW's broker UBS went into the market yesterday buying more than 22 per cent of Seeboard's shares.

In terms of earnings per share, CSW is offering less than National Power is for Southern, and the bid will enhance CSW's earnings per share immediately, according to Mr Tom Shockley, who heads CSW's international operations and its non-utility businesses in the US. "It will be a good long-term investment for our shareholders." CSW's shares were down $⅛ to $26⅛ in early trading.

Although Norweb had been CSW's first choice, partly because the two companies had worked together on international projects, Mr Shockley said Seeboard shared many characteristics with Norweb.

It is one of the lowest cost operators among the 12 recs but has one of the best records on customer service. "It has a very strong management who share our vision that is those companies that pay attention to customer service that will be successful," says Mr Shockley.

CSW says it has not plans to make any management changes, other than the retirement of Seeboard's chairman, Sir Keith Stuart, and the non-executive directors. Mr Jim Ellis, Seeboard's chief executive, will become chairman and chief executive and will be offered a seat on the CSW board.

Mr Ellis believes that customer service will be the critical area after 1998 when the domestic electricity supply market is opened to competition.

Seeboard recently signed a joint venture with Amoco, the North Sea gas producer, to attack the domestic gas market which will also go fully competitive in 1998.

Seeboard said its target was 10 per cent of the gas market and Mr Ellis makes it clear that it would be looking to increase its 7 per cent share of the electricity supply market.

He says that Seeboard will also be interested in further gas-fired generation projects if and when the price of long-term gas contracts falls to more attractive levels.

Although Mr Ellis says that Seeboard will be able to learn from CSW in customer service, CSW has little to offer financially.

Standard & Poor's yesterday put Seeboard's rating on creditwatch "with negative implications" in view of CSW's "weaker credit profile".

Seeboard is a large deal for CSW which has a market capitalisation of just under $5bn (£3.3bn).

Based in Dallas, Texas, CSW owns four electric utilities in Texas, Oklahoma, Louisiana and Arkansas with a total of 1.7m customers (compared with Seeboard's 2m). It also owns a gas pipeline company in Oklahoma and is looking at a number of electricity investment outside the US.

Other US utilities, including CSW's former partner Houston Industries, remain interested in the dwindling supply of independent recs.

The real surprise would be if there are no further bids in the next few weeks.

**VALUE OF BIDS FOR REGIONAL ELECTRICITY COMPANIES**

| Target | Bidder | Value per share (standard-rate taxpayers) (£) | Value per share (non taxpayers) (£) |
|---|---|---|---|
| Seeboard | Central and South West | 12.70* | 12.70* |
| Norweb | North West Water | 11.82 | 11.99 |
| Northern Electric** | Trafalgar House | 11.00 | 11.00 |
| Southern Electric | National Power | 10.10 | 10.56 |
| Manweb | Scottish Power | 10.02 | 10.02 |
| Midlands Electricity | PowerGen | 10.00 | 10.50 |
| Eastern Group | Hanson | 9.75 | 9.75 |
| South Western Electricity | Southern Company | 9.85 | 9.81 |

*Adjusted for 1-for-1 scrip issue **Bid lapsed when tougher price controls were announced in March

# Norweb to lose two directors after water takeover

By Peggy Hollinger and Michael Smith

Norweb's chairman and chief executive, Mr Ken Harvey, is to leave the regional electricity company following its planned takeover by North West Water with a package of about £2m.

The announcement, originally planned for tomorrow, will also reveal that finance director Mr Brian Wilson is to quit Norweb. North West Water is likely to announce today that its offer has gone wholly unconditional.

The departures come as a surprise given North West's original commitment to retain Norweb's management, particularly Mr Harvey, to run the electricity business after a takeover. However, it is understood that North West's management changed its view when Norweb recommended a rival offer from the US consortium, Texas Energy Partners. North West was forced to increase its £10.75 a share cash offer to £11.50 as a result.

Mr Harvey, 55, is on a two-year rolling contract and is believed to have negotiated a compensation package of about £2m. This includes two years' salary totalling £389,418 and payment for his 206,399 options equal to North West's cash offer. Mr Harvey, who has been with Norweb for six years, is the only director of an electricity company not to have exercised any share options since privatisation.

Mr Harvey has been one of the most influential executives in the electricity industry. He is currently chairman of the National Grid Holdings.

For the last year or so he has been the only executive at any of the 12 regional electricity companies who held the post of both chairman and chief executive.

# Hickson warns of losses and chief executive quits

By Motoko Rich

Mr Dennis Kerrison resigned as chief executive of Hickson International yesterday as the speciality chemicals company warned it would make a loss this year and pass the final dividend.

Analysts calculated that losses could be as high as £30m ($47m) after the group announced a £13m restructuring charge and a write-off on a business disposal. Forecasts for 1995 profits before tax and exceptionals were slashed from £12m to £6m. Last year the group made £19.2m after £4.5m rationalisation costs.

Hickson's shares dropped 12p to 87p.

It said the shake-up would lead to 100 redundancies and disposals would remove a further 500 jobs from the group.

It is understood Mr Kerrison, who was appointed chief executive in 1992, was asked to leave following two years of declining profits. The group hopes to fill the vacancy by March next year.

Mr Kerrison was on a two-year rolling contract at a basic salary of £161,000. His leaving terms have yet to be determined.

"We need a fresh mind," said Mr James Haan, chairman who is acting chief executive until a replacement is found. "We believe the company is likely to move forward at a faster rate under the direction of a new chief executive."

The group said profits were still being hit by difficulties at its main Castleford plant in West Yorkshire. Production problems have yet to be solved and capacity utilisation is believed to be less than 60 per cent.

Profits would also be dragged down by a delay in filling the plant left dormant by the loss of the contract to make the catalyst in Persil and Omo Power, detergents made by Unilever, the Anglo-Dutch group. Unilever dropped the catalyst from the Persil range, although detergents using the catalyst are still selling in small quantities in some continental countries.

Mr Kerrison will remain as a consultant to the sale of Hickson Kerley, the group's US sulphur-based product maker. Mr James Haan, chairman, said Kerley was being sold to Tessenderlo Group, the Belgian chemicals company, for $30m because it was a "peripheral operation" and was "devouring resources and management time like a sponge".

Tessenderlo will also pay an adjustment of about $3.5m for incremental working capital at Kerley. Hickson will suffer a £10.4m loss on disposal as a result of goodwill being written back into the accounts.

The group also plans to sell Hickson Performance Chemicals, a business in South Africa, and Hickson Specialities, the Milwaukee-based performance speciality chemicals business. Rationalisation of the coatings division would mean closing a plant in Italy and possibly a factory in Paris.

# UB sale puts end to 21-year US effort

By Roderick Oram, Consumer Industries Editor

United Biscuits has sold most of Keebler, its ailing US cookie and cracker maker, for $500m (£316m), ending an expensive 21-year effort to establish itself in the US.

The buyer is INFLO Holdings, a new company owned equally by Flowers Industries, a US specialty food maker, and Artal, once a Belgian sugar refiner but now an investor in food and other industries.

"This is a very satisfactory outcome," said Mr Eric Nicoli, UB's chief executive. "The sale frees us to manage the rest of the group and gives us investment capacity we did not have before."

UB, best known for its McVitie's digestives and KP snacks, will focus on Europe and the Asia Pacific regions. It has retained ownership of the Keebler name outside the Americas which it uses, for example, in its rapidly expanding Chinese business.

"The deal reduces the cash drain on UB," said Mr Michael Landymore, analyst at Henderson Crosthwaite.

"It is the start of a life in which they can at least balance the books."

INFLO is buying Keebler's cookie and cracker business with sales of some $1.5bn a year. A distant second to Nabisco in the US market, it accounted for about one-third of UB's sales. Flowers, based in Georgia with sales of $1bn a year, is the fifth largest US producer of baker goods and snack foods.

PepsiCo, the dominant US maker of salty snacks but with a growing interest in cookies, expressed interest in buying Keebler but dropped out a few weeks ago. It was not among the three final bidders.

Negotiations are continuing over the sale of Keebler's much smaller salty snack and frozen food businesses with the hope of selling them by year-end. Analysts thought UB would be lucky to get more than $100m for them.

Total proceeds of about $600m would broadly match analysts' estimates. Keebler's problems competing against Nabisco in cookies and against PepsiCo in salty snacks meant that UB was never going to sell the business for anywhere near one times annual sales, a rough rule of thumb for food industry transactions, analysts said.

The proceeds will reduce UB's net debt which had risen to £636.3m by July giving debt to equity gearing of 93 per cent.

## LEX COMMENT

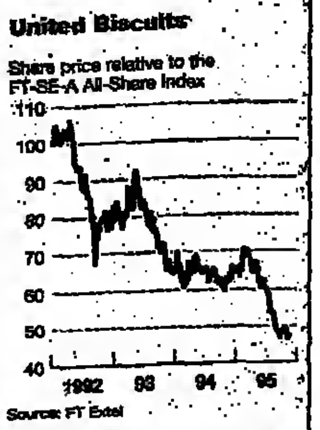
# Utd Biscuits

United Biscuits' $500m sale of Keebler cookies deserves a half-hearted cheer. Keebler had become too small to succeed in the fierce American market and was draining away money and management time. The proceeds will repair the balance sheet by halving debt. But the price, at one-third of sales and 1.3 times book value, is well below similar transactions in the food industry. Nor does the disposal solve UB's deeper strategic problems. It remains an uninspiring collection of businesses, much of it own-label, hemmed in by rising costs and increasing competition. PepsiCo's Walkers division is stealing market share from UB's KP Snacks, both in Britain and on the Continent. Margins at Ross Young frozen food and McVities biscuits are under pressure. Two thirds of the group's ongoing £2¼bn turnover, after the Keebler disposal, will be in the mature UK market – at the mercy of the big supermarket chains. To counter that, UB needs to redouble efforts to expand in growth areas like China and eastern Europe. But given the poor record, it will be hard for management to summon up the courage to make substantial acquisitions.

Hopes of a bid at a fancy price also look optimistic. UB already trades on 16 times next year's forecast earnings, compared with an average sector multiple of about 12. Following the dividend cut, the yield is 50 per cent below the sector average. Despite their 50 per cent underperformance over the past four years, the shares still look overvalued.

**United Biscuits**

Share price relative to the FT-SE-A All-Share Index




Source: FT Extel

# BAT reorganises tobacco interests

By Roderick Oram, Consumer Industries Editor

BAT Industries has created a global tobacco company based in the UK to co-ordinate its activities better, particularly exports and development of international brands such as Lucky Strike, Benson & Hedges and Silk Cut.

It will replace a strategy review group which had co-ordinated the work of four operating companies: Brown & Williamson in the US, Souza Cruz in Brazil, British-American Tobacco (Germany) and BATCo, in the UK, which is responsible for other markets.

"This more cohesive structure should enable us to achieve faster growth and take better advantage of the opportunities in tobacco," said Mr Martin Broughton, chief executive.

BAT's tobacco operating profits last year were £1.2bn (£1.1bn), while profits from financial services, its other arm, were static at £902m.

BAT lifted it share of global tobacco markets to 10.6 per cent, from 10.3 per cent, thanks to a 4 per cent growth in its sales volumes. Exports were up 13 per cent with the fastest growing regions being Latin America up 27 per cent and Asia/Australasia up 33 per cent. The strong growth continues this year.

In addition to the international dimension, the new organisation should also allow decisions to be made closer to, or in country markets, BAT said. It removes a layer of executives between most country managers and the regional company to which they reported.

Mr Ulrich Herter has been appointed managing director of British-American Tobacco (Holdings), the new company, and will retain his role as group managing director, tobacco, of BAT Industries, the parent company. Five regional directors and seven functional directors, mostly drawn from existing subsidiaries, will report to him.

Mr Nick Brookes, chief executive of Brown & Williamson, heads America-Pacific; Mr Antonio Monteiro de Castro, president of Souza Cruz, heads Latin America and the Caribbean; Mr Bernd Schweitzer, chairman of British-American Tobacco (Germany), heads Europe; Mr Paul Adams, BATCo's regional director Asia-Pacific, heads Asia-Pacific in the new company; Mr Tony Johnston, a BATCo regional director, heads Africa, Middle East, southern and central Asia; and Mr Keith Dunt, a BATCo regional director, is finance director.

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## COMMODITIES AND AGRICULTURE

# Iraqi oil sales 'could start downward price spiral'

**By Robert Corzine**

Any limited sale of Iraqi crude oil could have a much greater destabilising effect on world oil markets than previously forecast, according to Mr Robert Mabro, head of the Oxford Institute for Energy Research.

*Mr Mabro* said the thinking behind the current United Nations plan to allow Iraq to sell up to $1bn worth of oil every three months to fund humanitarian aid was flawed, because it focused on the value of oil exports rather than on their volume.

The problem, he said, was that the UN plan could exacerbate any price falls that are expected to accompany even a limited return of Iraqi crude oil to world markets. As the oil price moves lower Iraq will have to export greater volumes to reach the revenue target set by the UN. This could have a multiplier effect on prices, with ever greater volumes leading to even lower prices. He conceded, however, that the effect was likely to be temporary.

The UN plan is "the invention of the devil" Mr Mabro told a group of oil industry executives and institutional investors in London yesterday.

There has been recent speculation that Iraq may now be more receptive to limited oil sales because there is little chance that mandatory UN sanctions will be relaxed until after the US presidential elections next year.

President Saddam Hussein has previously rejected such suggestions, complaining that limited sales would result in an unacceptable loss of Iraqi sovereignty.

On the subject of the November 21 meeting of the Organisation of Petroleum Exporting Countries, Mr Mabro said he detected a desire on the part of Venezuela and Saudi Arabia to find new ways to help stabilise world oil prices. But he said the consensus view was that Opec would still roll over its current production ceiling of 24.52m barrels a day, which has been in effect for the past two years.

But a study published yesterday by the Centre for Global Energy Studies in London said that only a cut in Opec volumes could produce price stability.

The report said international oil pricing policy had been transferred in recent years to highly-efficient markets. The only policy tool open to Opec was to alter output. The report concluded that if Opec gave up its role as the world's residual oil supplier, ". . . it is also implicitly abandoning its objective of price stability".

# Chinese grain import needs 'may reach 50m tonnes a year'

**By Alison Maitland**

China could require net grain imports as high as 50m tonnes in the year 2000 compared with 8m tonnes a decade earlier, according to the Organisation for Economic Co-operation and Development.

The OECD says this forecast assumes per capita demand for grains will grow at 7.2 per cent a year.

Under this "high growth" scenario, it predicts grain demand will rise to 548m tonnes from 454m tonnes in 1990, while output will total 500m tonnes, up from about 450m tonnes. Net imports of wheat would reach 42m tonnes, compared with 12.5m tonnes in 1990.

However, if grain demand grows at a "normal" rate of 6 per cent a year, it would reach 520m tonnes in 2000. In that case, net grain imports would rise to 20m tonnes.

High growth would lead China to become a net importer of rice, but normal growth would leave it a small net exporter. Either way, it is likely to remain a small net importer of maize.

The OECD stresses that its predictions are clouded in uncertainty.

"The government faces an important policy choice – market liberalisation or protection," it says. "The choice will not only be an important determinant of grain demand and supply prospects in China, but will also affect international markets and hence the rest of the world."

If China liberalises its grain trade in the next few years, it could move rapidly from its current position as a net grain exporter to being a large net importer.

But if it follows other east Asian economies such as Japan, Korea and Taiwan in pursuing self-sufficiency in grain production through distortion of domestic prices, net grain imports could be similar to current levels.

"Possible changes to meat consumption patterns, in animal production technology and agricultural infrastructure add further uncertainty."

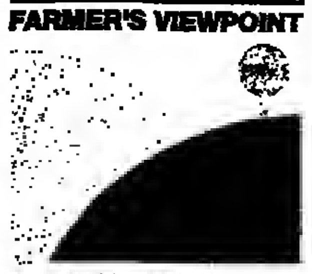
The study also considers China's huge grain stocks, put officially at 491m tonnes in 1990. It suggests much of this is held by farmers and local governments. If they start to release their stocks before 2000, imports could be lower than projected.

*The Chinese Grain and Oilseed Sectors, OECD Publications, 2 rue André-Pascal, 75775 Paris Cedex 16, France.*

# Servicing the agricultural technocrats

## A pioneering Norfolk company is trawling for high-tech customers with its new Internet service

**FARMER'S VIEWPOINT**



**By David Richardson**

A few days ago, a Norfolk-based fertiliser company launched the first UK Internet service for farmers. J. & H. Bunn operates out of Great Yarmouth and supplies blended fertilisers to farmers and merchants throughout the UK. The company, has for many years, been recognised as a pioneer in its field.

It was one of the first in the UK to enter the blending market in competition with international fertiliser compounders; it introduced a fertiliser spreading service for farmers based on American-made machines with flotation tyres to minimise soil compaction; and it popularised delivery of fertilisers in mechanically lifted big bags containing up to a tonne, eliminating, on many farms, the back-breaking chore of manually handling 50kg bags.

Even so, a relatively small, family-owned regionally-based fertiliser blending company was not the obvious candidate to lead UK farmers into the high-tech World Wide Web.

The initiative can be attributed to one member of the group of families that owns the company. Mr John Fuller, one of the younger generation, became fascinated with the latest satellite-based navigational techniques when sailing. It led him to study it further and eventually to the realisation that the concept had agricultural possibilities.

He applied for and was awarded a Nuffield Scholarship to investigate world-wide developments in Global Positioning Satellite technology and has now become one of Britain's best informed agriculturalists on the subject. He is, in fact, a specialist consultant to the Home Grown Cereals Authority and is a member of a world-wide internet community of more than 150 enthusiasts who regularly correspond via E Mail.

Indeed, it was this familiarisation with the communications system that persnaded him that Bunns should become the first UK farm supply company to offer an Internet service. He concedes that few farmers surf the Internet at present and that he is unlikely to take many orders for fertilisers via the system in the immediate future.

But Mr Fuller points out that for the price of a local call, farmers with a telephone and a compnter can now, for instance, gain access to data from the Chicago Board of Trade, whose prices are updated every 15 minutes during trading hours. He says an individual farmer can be as well informed as the large commodity broker with whom he may be trying to do a deal. He reasons that this will quickly persuade leading farmers to participate and that his company will be there ready for them when they do so.

It is part of a high-tech culture that Mr Fuller believes will grow over the next few years as further advances in technology are made. It seems likely, in fact, that his own company will soon offer a fertiliser-spreading service that is computer-controlled and automatically variable as it crosses a field. Application rates will reflect changes in soil characteristics and requirements for plant nutrients as interpreted by photographs from space.

It is a logical progression from yield mapping systems in use on combine harvesters on a few British farms and many in the US. Using global positioning satellite technology, the device produces a continuous read-out of the variability in the yield of grain as the machine harvests its way across a field. The results have been a shock to most farmers who have seen them.

For although we have always been conscious of different densities of crop in different parts of the same field and therefore of the likelihood of differential yield, it has not previously been possible to define the differences. Now, by employing this latest technology, it is possible to prove that yields across most fields vary by 100 per cent or more. In other words, a field which averages, say, eight tonnes a hectare may contain some areas yielding at four tonnes a hectare and others at 12.

In the past, in the absence of such information, fields have normally been treated the same all over; the same cultivations; the same amount and type of fertiliser; the same crop protection products; and so on. The new information now shows that this has been incredibly inefficient: that different areas of the same field may beed totally different treatment so as to avoid waste and the danger of pollution from run-off or leaching and to optimise profitability.

There is now an urgent need to learn how to interpret yield per field maps but Mr Fuller believes he can already take out some of the guesswork by a combination of integrated soil sampling together with photographic and on-field observation; that he will be able to write appropriate programmes for the on-board computers on his spreaders and vary fertiliser applications according to plant requirements.

Such developments come under the general heading of precision farming; and as farmers realise its potential for greater accuracy and cost saving it seems certain to sweep the country. Indeed, farmers' enthusiasm for such gadgetry may be so great that the boffins could have difficulty in keeping up with demand.

The first chance to test this theory will come at the modified Smithfield Farmtech Show in London later this month. It has taken precision farming as its theme and many a horny hand and work-calloused finger will be itching to try the technology on show at Earl's Court from November 25 to 28.

# Mine cyanide spill inquiry runs out of witnesses

**By Canute James in Port of Spain, Trinidad**

A public inquiry into the leak of cyanide in August from one of South America's largest gold mines has run out of witnesses a few days after getting under way. The report of the commission will influence a government decision on if and when Guyana's Omai gold mine will be reopened.

"The commission's work is being stultified because we have run out of witnesses," said Mr Kenneth George, retired chancellor of Guyana's judiciary, and chairman of the commission of enquiry. "I am extremely disappointed at the response. I thought this place would be full of people".

The Canadian-owned mine, which was closed indefinitely in August after cyanide leaked from a tailings pond, is ready to restart in December, according to the company. However, the government says that although it wants the mine to be reopened as soon as possible, this will have to await the findings of the commission.

Cambior and Golden Star Resources, both of Canada, own 65 per cent and 30 per cent, respectively, of Omai Gold Mines, with the Guyana government owning the other 5 per cent. The mine, a $240m venture that is said to be the largest open pit gold mine in South America, produced 252,000 troy ounces of last year.

The government has described the leak of an estimated 3.5m cubic metres of cyanide waste into a tributary of the Essequibo River, Guyana's largest, as an "environmental disaster", while the company prefers to describe it as an "industrial accident". The company has said it will make reparations for any damage caused by the cyanide leak.

Mr Cheddi Jagan, Guyana's president, says the mine will be reopened only if the findings of the enquiry convince the government that there is no risk of any more leaks of cyanide, and that all environmental safeguards are met by the company.

Mr George says the commission will move from Georgetown, Guyana's capital, to districts close to the mine, about 100 miles to the south "to try and see how we can get the grassroots people involved in the exercise". He denies that the move is an effort to encourage witnesses.

"What we want to find out, if we can, is what caused the spill and what recommendations can be made to see that in future no such spills occur. This is broader and larger than Omai because Guyana is supposed to have substantial amounts of gold."

Most of the people appearing before the commission so far have been mining and environmental experts. There have no representatives from organisations, such as one of Guyana's opposition parties, that had said the mines Canadian owners should "pack up and leave" the country, Mr George says.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1687.5-88.5 | 1723-23.5 |
| Previous | 1683.5-84.5 | 1718-19 |
| High/low | | 1740/1718 |
| AM Official | 1685-86 | 1721-22 |
| Kerb close | | 1719-20 |
| Open int. | 227,508 | |
| Total daily turnover | 38,917 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1425-35 | 1465-70 |
| Previous | 1425-35 | 1465-70 |
| High/low | | 1470/1460 |
| AM Official | 1410-15 | 1452-60 |
| Kerb close | | 1465-70 |
| Open int. | 3,098 | |
| Total daily turnover | 1,166 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 680-1 | 683-4 |
| Previous | 694-6 | 691-2 |
| High/low | 681 | 691/671 |
| AM Official | 680-81 | 689-90 |
| Kerb close | | 671-2 |
| Open int. | 33,512 | |
| Total daily turnover | 6,025 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 8715-25 | 8830-40 |
| Previous | 8770-80 | 8870-80 |
| High/low | 8711 | 8970/8780 |
| AM Official | 8711-15 | 8815-20 |
| Kerb close | | 8820-30 |
| Open int. | 45,033 | |
| Total daily turnover | 11,869 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6350-70 | 6385-90 |
| Previous | 6365-75 | 6385-90 |
| High/low | | 6440/6375 |
| AM Official | 6385-90 | 6405-15 |
| Kerb close | | 6375-80 |
| Open int. | 18,140 | |
| Total daily turnover | 4,369 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1045.5-6.5 | 1068-69 |
| Previous | 1056-57 | 1076-77 |
| High/low | 1049 | 1083/1061 |
| AM Official | 1048-49 | 1070-71 |
| Kerb close | | 1065-6 |
| Open int. | 85,066 | |
| Total daily turnover | 32,814 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2995-3000 | 2832-33 |
| Previous | 2947-52 | 2809-10 |
| High/low | | 2858/2828 |
| AM Official | 3000-5 | 2837-39 |
| Kerb close | | 2829-30 |
| Open int. | 185,013 | |
| Total daily turnover | 66,086 | |

■ LME AM Official £/$ rate: 1.5803
LME Closing £/$ rate: 1.5795

Spot: 1.5795 3 mths: 1.5785 6 mths: 1.5726 9 mths: 1.5683

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 135.40 | -0.80 | 137.00 | 135.40 | 136 | 1,534 |
| Dec | 132.30 | -0.65 | 134.35 | 131.60 | 7,438 | 17,771 |
| Jan | 130.10 | -0.80 | 131.60 | 129.60 | 52 | 728 |
| Feb | 127.70 | -0.80 | 128.10 | 128.10 | 22 | 517 |
| Mar | 125.80 | -0.80 | 127.50 | 125.15 | 1,584 | 8,395 |
| Apr | 124.25 | -0.65 | - | - | 49 | 201 |
| Total | | | | | 9,868 | 39,902 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 382.30-382.70 | | |
| Opening | 382.50-382.90 | | |
| Morning fix | 382.50 | 241.737 | 433.793 |
| Afternoon fix | 382.20 | 241.761 | 433.988 |
| Day's High | 382.50-382.90 | | |
| Day's Low | 381.90-382.30 | | |
| Previous close | 382.45-382.75 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.61 | 6 months | 3.55 |
| 2 months | 3.48 | 12 months | 3.53 |
| 3 months | 3.50 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 334.40 | 528.80 |
| 3 months | 339.05 | 535.10 |
| 6 months | 343.50 | 540.85 |
| 1 year | 353.15 | 553.25 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 382-384 | 242-244 |
| Maple Leaf | 392.95-395.45 | |
| New Sovereign | 87-90 | 55-57 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 382.4 | - | - | - | - | - |
| Dec | 383.7 | - | 383.9 | 383.2 | 10,508 | 101,910 |
| Feb | 385.6 | - | 385.8 | 385.1 | 944 | 27,676 |
| Apr | 387.9 | - | 388.0 | 387.5 | 38 | 9,227 |
| Jun | 390.4 | - | 390.7 | 390.0 | 47 | 11,074 |
| Aug | 392.8 | - | 394.1 | 394.1 | 143 | 3,273 |
| Total | | | | | 12,508 | 191,804 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 406.7 | -2.6 | 408.0 | 404.0 | 1,781 | 20,215 |
| Apr | 405.7 | -2.6 | 407.0 | 404.0 | 115 | 2,413 |
| Jul | 408.2 | -2.6 | 408.0 | 405.0 | 58 | 1,757 |
| Oct | 408.7 | -2.6 | - | - | 252 | 343 |
| Jan | 407.7 | -2.6 | - | - | 1 | 5 |
| Total | | | | | 2,208 | 24,733 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 134.30 | -2.15 | 135.50 | 134.00 | 285 | 4,546 |
| Mar | 135.30 | -2.15 | 167.00 | 134.75 | 72 | 1,707 |
| Jun | 136.65 | -2.15 | - | - | - | 125 |
| Total | | | | | 357 | 6,378 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 527.5 | -2.0 | 531.0 | 526.5 | 16,819 | 81,492 |
| Jan | 529.2 | -2.0 | 537.0 | 537.0 | 20 | 28 |
| Mar | 534.7 | -2.0 | 537.0 | 534.0 | 1,877 | 17,519 |
| May | 538.9 | -2.0 | 541.0 | 538.5 | 58 | 7,524 |
| Jul | 543.1 | -2.6 | 545.0 | 543.0 | 15 | 6,282 |
| Sep | 547.5 | -2.0 | 549.0 | 549.0 | 3 | 7,511 |
| Total | | | | | 18,764 | 107,486 |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 17.77 | -0.17 | 18.05 | 17.72 | 29,798 | 80,441 |
| Jan | 17.53 | -0.12 | 17.76 | 17.49 | 14,085 | 65,546 |
| Feb | 17.38 | -0.09 | 17.55 | 17.35 | 8,494 | 26,719 |
| Mar | 17.00 | -0.05 | 17.42 | 17.27 | 7,540 | 20,134 |
| Apr | 17.21 | -0.05 | 17.34 | 17.20 | 1,610 | 14,173 |
| May | 17.10 | -0.01 | 17.23 | 17.10 | 1,089 | 7,771 |
| Total | | | | | 23,341 | 151,263 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 16.46 | -0.14 | 16.71 | 16.46 | 15,322 | 45,429 |
| Jan | 16.29 | -0.07 | 16.46 | 16.26 | 8,879 | 56,355 |
| Feb | 16.13 | -0.07 | 16.27 | 16.11 | 980 | 14,310 |
| Mar | 16.01 | -0.09 | 16.14 | 16.01 | 400 | 12,280 |
| Apr | 15.90 | -0.04 | 16.04 | 15.87 | 1,390 | 7,195 |
| May | 15.84 | -0.02 | 15.84 | 15.84 | 73 | 1,560 |
| Total | | | | | | |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 51.00 | -0.42 | 52.05 | 51.20 | 13,469 | 40,627 |
| Jan | 51.65 | -0.38 | 52.30 | 51.55 | 5,494 | 41,740 |
| Feb | 51.25 | -0.25 | 51.00 | 51.15 | 3,210 | 23,987 |
| Mar | 50.05 | -0.20 | 50.60 | 49.95 | 891 | 7,911 |
| Apr | 48.45 | -0.20 | 48.90 | 48.45 | 233 | 4,286 |
| May | 47.35 | - | 47.40 | 47.35 | 165 | 3,403 |
| Total | | | | | 24,962 | 149,115 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 155.25 | -0.75 | 158.00 | 154.75 | 9,379 | 26,512 |
| Dec | 154.25 | -1.25 | 156.75 | 153.75 | 7,548 | 26,609 |
| Jan | 153.75 | -1.00 | 156.00 | 153.25 | 3,019 | 21,103 |
| Feb | 152.75 | -1.00 | 154.25 | 152.25 | 115 | 6,844 |
| Mar | 151.50 | -1.00 | 153.00 | 152.00 | 157 | 3,371 |
| Apr | 150.25 | -1.00 | 151.75 | 151.00 | 148 | 2,255 |
| Total | | | | | 20,366 | 95,851 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 1.810 | -0.015 | 1.840 | 1.818 | 8,026 | 29,490 |
| Jan | 1.850 | -0.028 | 1.885 | 1.850 | 2,777 | 26,610 |
| Feb | 1.825 | -0.010 | 1.840 | 1.820 | 1,974 | 14,014 |
| Mar | 1.760 | -0.002 | 1.769 | 1.756 | 880 | 10,579 |
| Apr | 1.700 | +0.001 | 1.710 | 1.695 | 433 | 7,190 |
| May | 1.702 | +0.002 | 1.710 | 1.697 | 330 | 6,200 |
| Total | | | | | 15,573 | 132,802 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 51.30 | -0.21 | 51.90 | 51.15 | 10,172 | 22,726 |
| Jan | 50.80 | -0.41 | 51.40 | 50.75 | 2,832 | 13,165 |
| Feb | 51.05 | -0.34 | 51.60 | 51.00 | 869 | 3,827 |
| Mar | 51.15 | -0.34 | 51.45 | 51.18 | 70 | 2,324 |
| Apr | 53.80 | +0.01 | 53.80 | 53.80 | 310 | 3,023 |
| May | 53.15 | -0.50 | 53.15 | 53.15 | 310 | 1,875 |
| Total | | | | | 14,856 | 49,040 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 124.40 | +1.25 | 124.25 | 124.00 | 85 | 293 |
| Jan | 127.15 | +1.65 | 127.00 | 125.75 | 80 | 2,276 |
| Mar | 129.00 | +1.50 | 128.80 | 128.30 | 88 | 1,869 |
| May | 130.90 | +1.50 | 130.75 | 130.00 | 178 | 2,303 |
| Jul | 132.50 | +1.50 | 132.00 | 132.00 | 35 | 75 |
| Sep | 115.00 | +1.00 | - | - | - | 26 |
| Total | | | | | 466 | 7,182 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 490.75 | +6.75 | 491.00 | 484.00 | 16,881 | 46,298 |
| Mar | 498.75 | +8.25 | 499.00 | 492.00 | 11,468 | 37,037 |
| May | 465.75 | +7.75 | 466.00 | 458.00 | 431 | 4,159 |
| Jul | 419.25 | +6.75 | 419.50 | 414.00 | 2,480 | 15,447 |
| Sep | 420.50 | +4.75 | 419.50 | 418.50 | 27 | 2,380 |
| Dec | 429.50 | +4 | 429.50 | 428.50 | 111 | 793 |
| Total | | | | | 31,179 | 106,146 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 333.75 | +1.75 | 334.00 | 330.25 | 46,876 | 178,541 |
| Mar | 339.50 | +1.5 | 339.75 | 336.25 | 27,399 | 203,625 |
| May | 339.75 | +2 | 340.00 | 336.25 | 5,279 | 35,349 |
| Jul | 336.75 | +2 | 337.00 | 332.25 | 4,891 | 46,842 |
| Sep | 297.25 | +2.25 | 297.50 | 294.00 | 1,363 | 8,057 |
| Dec | 282.25 | +1.75 | 282.50 | 280.00 | 2,560 | 22,067 |
| Total | | | | | 88,214 | 496,583 |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 115.75 | +1.25 | 115.75 | 115.75 | 20 | 80 |
| Jan | 118.65 | +1.35 | 118.85 | 118.25 | 39 | 892 |
| Mar | 120.75 | +1.25 | 120.75 | 119.75 | 19 | 654 |
| May | 123.00 | +1.50 | 123.00 | 123.00 | 55 | 229 |
| Sep | 109.50 | - | - | - | - | 12 |
| Nov | 111.00 | -1.00 | - | - | - | 5 |
| Total | | | | | 95 | 1,860 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 684.75 | +6 | 685.00 | 679.00 | 4,139 | 8,624 |
| Jan | 692.50 | +6.75 | 693.00 | 684.75 | 26,865 | 88,647 |
| Mar | 699.50 | +7 | 700.00 | 692.00 | 6,858 | 39,242 |
| May | 702.75 | +7 | 703.00 | 695.50 | 1,001 | 12,295 |
| Jul | 702.75 | +7 | 703.00 | 695.50 | 2,354 | 14,858 |
| Aug | 698.50 | +5.5 | 698.00 | 693.50 | 109 | 752 |
| Total | | | | | 43,894 | 178,940 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 26.71 | -0.05 | 26.85 | 26.62 | 5,896 | 33,916 |
| Jan | 26.82 | -0.05 | 26.96 | 26.74 | 3,568 | 16,180 |
| Mar | 27.01 | -0.06 | 27.15 | 26.83 | 2,412 | 12,896 |
| May | 27.20 | -0.03 | 27.27 | 27.05 | 868 | 7,170 |
| Jul | 27.30 | +0.02 | 27.40 | 27.18 | 1,574 | 5,822 |
| Aug | 27.33 | +0.03 | 27.33 | 27.33 | 52 | 899 |
| Total | | | | | 14,328 | 78,218 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 210.5 | +1.9 | 210.6 | 207.7 | 9,065 | 46,750 |
| Jan | 211.3 | +1.9 | 211.4 | 208.6 | 4,791 | 20,637 |
| Mar | 212.5 | +1.8 | 212.7 | 208.8 | 2,854 | 19,168 |
| May | 211.4 | +1.6 | 211.4 | 209.0 | 1,558 | 6,789 |
| Jul | 211.7 | +1.7 | 211.8 | 209.2 | 1,304 | 7,562 |
| Aug | 209.5 | +1.2 | 209.0 | 208.0 | 146 | 671 |
| Total | | | | | 19,994 | 103,072 |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 175.0 | - | - | - | - | 3 |
| Mar | 280.0 | - | - | - | - | - |
| Apr | 286.5 | +2.0 | 290.0 | 285.0 | 75 | 1,169 |
| May | 330.0 | - | - | - | - | 6 |
| Jun | 390.5 | - | - | - | - | - |
| Total | | | | | 75 | 1,178 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 1630 | -6 | 1660 | 1630 | 43 | 550 |
| Dec | 1640 | -15 | 1670 | 1640 | 58 | 350 |
| Jan | 1639 | -20 | 1672 | 1539 | 111 | 1,104 |
| Apr | 1610 | -12 | 1655 | 1615 | 26 | 1,182 |
| Jul | 1445 | -5 | 1470 | 1460 | 24 | 398 |
| Oct | 1580 | -5 | 1580 | 1580 | 12 | 93 |
| Total | | | | | 269 | 3,712 |

| | Close | Prev |
|---|---|---|
| BFI | 1543 | 1542 |

**FUTURES DATA**
*All futures data supplied by CMS.*

**Tea**
There was landed strong demand this week reports the Tea Brokers' Association. Good liquoring assams sold well with prices following quality. Coloury mediums were fully firm to dearer but others declined 2/3 pence. Bright Kenyan and Burundi teas met keen competition and prices advanced, often substantially. Mediums were irregular while plainer descriptions were about steady. Offshore good demand. Africans firm, Ceylons dearer. Quotations: best available: 193p/kg, good: 155p/kg, good medium: 130p/kg, medium 110p/kg, low medium: 80p/kg. Highest price realised was a 193p/kg for a burundi pd all tea average 113.82p.

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 917 | - | 910 | 911 | 708 | 19,044 |
| Mar | 901 | +2 | 952 | 944 | 990 | 33,839 |
| May | 969 | +1 | 970 | 963 | 297 | 14,374 |
| Jul | 986 | +1 | 983 | 981 | 80 | 4,821 |
| Sep | 1004 | +2 | 1004 | 998 | 150 | 24,054 |
| Dec | 1020 | +1 | 1015 | 1015 | 150 | 6,158 |
| Total | | | | | 2,425 | 114,356 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 1329 | +8 | 1330 | 1313 | 4,340 | 21,027 |
| Mar | 1365 | +10 | 1367 | 1350 | 2,915 | 24,993 |
| May | 1386 | +10 | 1381 | 1371 | 603 | 8,930 |
| Jul | 1406 | +10 | 1413 | 1405 | 12 | 3,485 |
| Sep | 1427 | +10 | 1433 | 1433 | 33 | 7,263 |
| Dec | 1457 | +10 | - | - | 90 | 6,888 |
| Total | | | | | 7,975 | 72,720 |

■ COCOA (ICCO) (SDR's/tonne)

| Nov 3 | Price | Prev. day |
|---|---|---|
| Daily | 953.47 | 956.49 |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 2484 | +29 | 2495 | 2475 | 334 | 2,171 |
| Jan | 2321 | +10 | 2344 | 2316 | 1,821 | 13,254 |
| Mar | 2260 | +13 | 2275 | 2255 | 418 | 5,944 |
| May | 2188 | +17 | 2205 | 2195 | 73 | 3,230 |
| Jul | 2140 | +12 | 2150 | 2150 | 53 | 501 |
| Sep | 2085 | +15 | 2110 | 2110 | 56 | 301 |
| Total | | | | | 2,581 | 25,406 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 125.35 | -0.45 | 126.30 | 125.80 | 4,955 | 13,523 |
| Mar | 122.45 | -0.20 | 123.40 | 122.00 | 1,403 | 9,933 |
| May | 120.00 | -0.65 | 121.40 | 120.00 | 61 | 2,662 |
| Jul | 120.00 | -0.50 | 120.00 | 118.80 | 30 | 598 |
| Sep | 120.00 | -0.50 | 119.75 | 119.75 | 17 | 311 |
| Dec | 120.00 | -0.50 | 119.25 | 119.25 | - | 82 |
| Total | | | | | 6,609 | 27,836 |

■ COFFEE (ICO) (US cents/pound)

| Nov 3 | Price | Prev. day |
|---|---|---|
| Comp. daily | 121.21 | 120.00 |
| 15 day average | 120.97 | 120.86 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 13.26 | - | - | - | - | - |
| Mar | 10.90 | - | - | - | - | - |
| May | 10.82 | - | - | - | - | - |
| Jul | 10.62 | - | - | - | - | - |
| Total | | | | | | |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 368.9 | +3.4 | 370.5 | 367.0 | 1,937 | 5,168 |
| Mar | 339.3 | +2.8 | 340.0 | 337.0 | 1,000 | 14,381 |
| May | 330.2 | +3.2 | 330.0 | 328.0 | 101 | 4,593 |
| Aug | 322.6 | +2.6 | 322.0 | 321.0 | 111 | 2,884 |
| Oct | 292.1 | +1.6 | 291.2 | 290.6 | 32 | 2,650 |
| Dec | 287.1 | +0.4 | 286.2 | 285.6 | 17 | 819 |
| Total | | | | | 3,223 | 30,375 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 10.85 | +0.08 | 10.93 | 10.75 | 13,888 | 77,125 |
| May | 10.58 | +0.07 | 10.66 | 10.50 | 2,910 | 19,730 |
| Jul | 10.40 | +0.10 | 10.43 | 10.31 | 1,180 | 13,728 |
| Oct | 10.26 | +0.06 | 10.34 | 10.23 | 364 | 14,835 |
| Mar | 10.19 | +0.06 | 10.78 | 10.17 | 308 | 8,842 |
| May | 10.12 | +0.06 | 10.22 | 10.22 | 100 | 240 |
| Total | | | | | 18,585 | 134,830 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 86.60 | +1.10 | 87.00 | 85.60 | 2,884 | 20,800 |
| Mar | 85.75 | +1.07 | 85.90 | 84.90 | 1,395 | 18,145 |
| May | 86.00 | +0.97 | 86.80 | 85.50 | 1,111 | 8,177 |
| Jul | 85.85 | +0.97 | 86.10 | 85.00 | 126 | 6,334 |
| Oct | 80.15 | +0.15 | 80.20 | 79.50 | 39 | 1,411 |
| Dec | 76.95 | +0.02 | 77.24 | 76.70 | 138 | 6,502 |
| Total | | | | | 5,702 | 62,467 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 121.85 | -1.90 | 124.15 | 121.85 | 180 | 479 |
| Jan | 123.15 | -1.65 | 125.30 | 122.80 | 2,374 | 17,844 |
| Mar | 125.00 | -1.70 | 127.10 | 124.65 | 572 | 4,088 |
| May | 127.05 | -1.50 | 129.25 | 127.50 | 203 | 1,494 |
| Jul | 129.05 | -1.45 | 130.00 | 130.00 | 97 | 513 |
| Sep | 131.05 | -2.45 | 133.75 | 130.25 | 83 | 491 |
| Total | | | | | 3,504 | 25,176 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, *NYCE, CME and CSCE are one day in arrears.*

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Nov 6 | Nov 3 | month ago | year ago |
|---|---|---|---|
| 2132.8 | 2123.6 | 2081.6 | 2103.6 |

■ CRB Futures (Base: 1967=100)

| Nov 3 | Nov 2 | month ago | year ago |
|---|---|---|---|
| 243.35 | 243.63 | - | |

■ GSCI Spot (Base: 1970=100)

| Nov 3 | Nov 2 | month ago | year ago |
|---|---|---|---|
| 183.96 | 184.70 | 181.22 | 180.24 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 68.325 | -0.325 | 68.600 | 68.225 | 3,242 | 30,684 |
| Feb | 67.075 | -0.075 | 67.750 | 67.525 | 1,198 | 17,271 |
| Apr | 67.525 | -0.050 | 67.550 | 67.350 | 732 | 10,710 |
| Jun | 63.675 | -0.100 | 63.800 | 63.575 | 447 | 4,670 |
| Aug | 62.225 | -0.025 | 62.300 | 62.125 | 154 | 1,798 |
| Oct | 62.875 | -0.100 | 63.050 | 62.950 | 47 | 535 |
| Total | | | | | 5,895 | 65,978 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 42.975 | +0.600 | 43.075 | 42.550 | 2,941 | 12,605 |
| Feb | 46.550 | +0.475 | 46.675 | 46.200 | 2,157 | 8,651 |
| Apr | 46.500 | +0.250 | 46.750 | 46.300 | 351 | 3,581 |
| Jun | 52.275 | +0.250 | 52.325 | 51.950 | 159 | 3,463 |
| Jul | 52.200 | +0.175 | 52.300 | 51.900 | 72 | 1,456 |
| Aug | 51.200 | +0.050 | 51.400 | 51.050 | 27 | 787 |
| Total | | | | | 5,745 | 31,822 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 57.800 | +1.150 | 57.900 | 56.900 | 2,253 | 5,136 |
| Mar | 57.825 | +1.125 | 58.100 | 57.150 | 201 | 725 |
| May | 58.550 | +1.025 | 58.900 | 58.000 | 71 | 306 |
| Jul | 58.875 | +0.925 | 59.800 | 59.000 | 170 | 499 |
| Aug | 56.800 | +0.650 | 57.475 | 57.475 | 62 | 99 |
| Total | | | | | 2,712 | 6,765 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Dec | Feb | Dec | Feb |
| 1600 | 102 | 147 | 8 | 29 |
| 1700 | 36 | 87 | 40 | 66 |
| 1800 | 8 | 46 | 111 | 123 |
| ■ COPPER (Grade A) LME | Dec | Feb | Dec | Feb |
| 2800 | 132 | 99 | 29 | 95 |
| 2900 | 72 | 59 | 68 | 152 |
| 3000 | 33 | - | 129 | - |
| ■ COFFEE LCE | Jan | Mar | Jan | Mar |
| 1650 | 671 | 618 | 8 | 67 |
| 1700 | 621 | 572 | 8 | 83 |
| 1750 | 572 | - | 10 | - |
| ■ COCOA LCE | Dec | Mar | Dec | Mar |
| 875 | 44 | 80 | 2 | 14 |
| 900 | 25 | 73 | 8 | 22 |
| 925 | 11 | 57 | 19 | 31 |
| ■ BRENT CRUDE IPE | Dec | Jan | Dec | Jan |
| 1550 | 99 | 96 | - | 15 |
| 1600 | 52 | 58 | 1 | 29 |
| 1650 | 14 | 33 | 11 | 53 |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

| | | +or- |
|---|---|---|
| Dubai | $15.28-5.38z | -0.30 |
| Brent Blend (dated) | $16.67-6.69 | -0.17 |
| Brent Blend (Dec) | $16.47-6.49 | -0.15 |
| W.T.I. (1pm est) | $17.76-7.78z | -0.205 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $190-192 | +2 |
| Gas Oil | $158-159 | -1 |
| Heavy Fuel Oil | $83-85 | -1 |
| Naphtha | $154-155 | -1 |
| Jet fuel | $179-180 | -1 |
| Diesel | $163-164 | |

*Petroleum Argus. Tel. London (0171) 359 8792*

■ OTHER

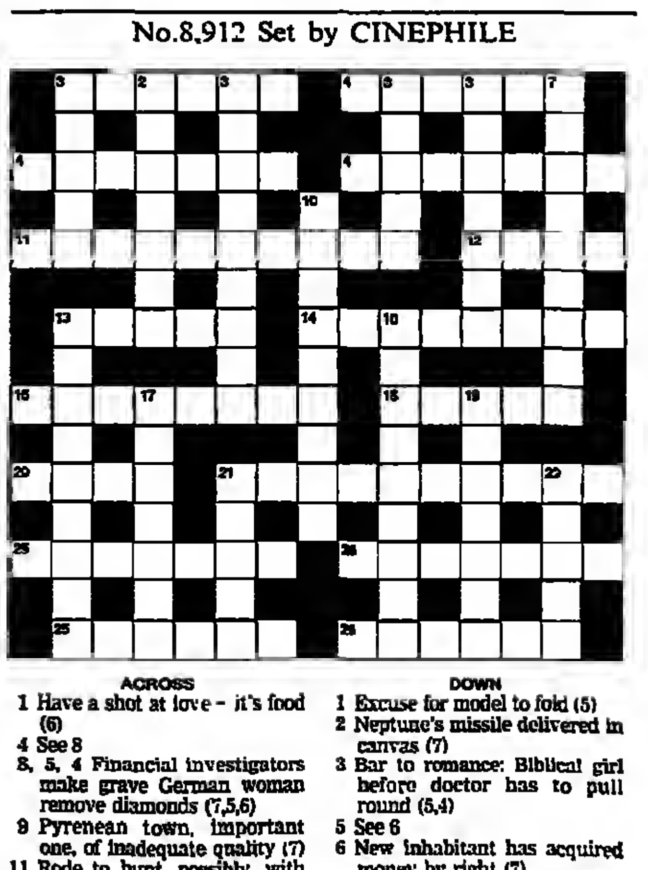
| | | |
|---|---|---|
| Gold (per troy oz)♣ | $382.50 | -0.10 |
| Silver (per troy oz)♣ | 529.5c | -4.0 |
| Platinum (per troy oz.) | $406.25 | -2.00 |
| Palladium (per troy oz.) | $133.50 | -2.15 |
| Copper | 125.0c | |
| Lead (US prod.) | 41.75c | |
| Tin (Kuala Lumpur) | 15.96m | -0.12 |
| Tin (New York) | 303.5c | |
| Cattle (live weight)† | 127.16p | -0.23* |
| Sheep (live weight)†♠ | 109.32p | +3.51* |
| Pigs (live weight)† | 100.07p | +4.08* |
| Lon. day sugar (raw) | $306.70 | -4.00 |
| Lon. day sugar (wte) | $398.50 | +7.00 |
| Barley (Eng. feed) | £119.5 | |
| Maize (US No3 Yellow) | £105.0w | |
| Wheat (US Dark North) | Unq | |
| Rubber (Nov)♥ | 103.0p | +2.0 |
| Rubber (Dec)♥ | 103.0p | +2.0 |
| Rubber (KL RSS No1) | 384.0m | +1.0 |
| Coconut Oil (Phil)§ | $755.0u | +15.0 |
| Palm Oil (Malay.)§ | $627.5 | |
| Copra (Phil)§ | 480.0y | +8.0 |
| Soyabeans (US) | 193.0 | -2.0 |
| Cotton Outlook'A' index | 89.60c | |
| Wooltops (64s Super) | 465p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Nov. y Nov/Dec. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

### JOTTER PAD

### CROSSWORD

No.8,912 Set by CINEPHILE



**ACROSS**

1 Have a shot at love – it's food (6)
4 See 8
8, 5, 4 Financial investigators make grave German woman remove diamonds (7,5,6)
9 Pyrenean town, important one, of inadequate quality (7)
11 Rode to hunt, possibly, with this by river? (5-5)
12, 18 Humorous writer Mk II (4,5)
13, 14 Tsar, a favourite with the Queen: that embrace embraces, for example, her return (5,3,5)
18 North-eastern road to gambling centre used in chemical warfare (5,3)
18 See 12
20, 24 Showing *surprise* at revision of poem "Hunt Ode" (4-7)
21 Captivity for donkey, light with butts (5-5)
23 Die terribly after a lot of fruit, not scientifically pure (7)
24 See 20
25 Why move so near? (6)
26 Used at home with rude effect (6)

**DOWN**

1 Excuse for model to fold (5)
2 Neptune's missile delivered in canvas (7)
3 Bar to romance: Biblical girl before doctor has to pull round (5,4)
5 See 6
6 New inhabitant has acquired money by right (7)
7 Put up and amuse: consider the idea? (9)
10 Turn East German police in to preserve my simple identity (4,2,1,2)
13 Black and white musician with young following (4,5)
15 Rock musician let loose on gospel (5,4)
17 Flavour of article in a house (7)
19 *Current teller finds much of* programme terrible (7)
21 Colour, in its beginning, makes belief (5)
22 Do manual work on the kitchen table? (5)

Solution to Saturday's prize puzzle on Saturday November 18
Solution to yesterday's prize puzzle on Monday November 20.

## INTERNATIONAL CAPITAL MARKETS

# Dealers sense investor caution in Europe

By Antonia Sharpe in London and Lisa Bransten in New York

European government bond markets continued to build on the gains made over the last week, but dealers said investors were becoming increasingly cautious as the end of the year approached.

"1994 was a bad year but 1995 has been better, so investors do not want to give any of their profits away," one dealer said. He expected more investors to adopt neutral positions for the remainder of the year.

For the braver investors, however, analysts said there could be gains to be made at the long end of the German government bond (bund) market. Although the German yield curve is very steep – the differential between five and 10 year paper stood at a record 122 basis points yesterday – expectations of a half-point cut in the 3½ per cent discount rate could cause long-term yields to fall, thereby causing the curve to flatten.

Mr Stuart Thomson, chief international economist at Nikko, said the Bundesbank had been slow to reduce its headline rates in the light of

### GOVERNMENT BONDS

the slowdown in the German economy. Data last week showed industrial production had fallen 2.9 per cent over the year to September with capital and consumer goods sectors showing particular weakness.

"The Bundesbank should be cutting at a faster rate," be said, adding that action to date this year had not offset the economic impact of the rise in the D-Mark, increased taxation and higher wages.

Despite the need for a cut in rates, Mr Thomson said he did not expect one until the end of the first quarter of 1996. However, Ms Ros Lifton, European economist at Daiwa, said there was a chance the Bundesbank could use the release of M3 numbers for September, due later this month, to justify a cut in rates at its fortnightly meeting on November 30.

On Liffe, December bund futures rose 0.28 point to 96.87 in volume of 68,276 contracts, while in the cash market, the yield on 10-year paper eased to 6.39 per cent from 6.44 per cent on Friday. The bund/US treasury spread narrowed by 4 basis points to 36 basis points.

■ Weaker-than-expected UK industrial output data also raised hopes of an interest rate cut in the UK government bond market yesterday but trading was thin. On Liffe, the December long gilt future rose ¾ to 107$\frac{11}{32}$.

■ US Treasury prices were flat in morning trading yesterday amid uncertainty about Treasury department auctions to be held today and tomorrow.

Near midday, the benchmark 30-year Treasury was $\frac{1}{16}$ lower at 107$\frac{31}{32}$ to yield 6.275 per cent. At the short end of the maturity spectrum, the two-year note was off $\frac{1}{32}$ at 100¼, to yield 5.472 per cent.

As part of its regular refunding, the Treasury department was to auction $18bn in three-year notes today and $13.5bn in 10-year notes tomorrow, but the auctions were not expected to be held unless Congress agreed to raise the debt by November 7.

Congressional leaders have so far refused to raise the ceiling to allow the government to refinance its debt, in order to bring pressure on the White House to accept the Congress' budget packages. It was unclear yesterday whether the the auctions would be held as planned or delayed e week.

The dollar also slipped from last week's levels against the D-Mark and the yen. Near noon, the US currency was changing hands for Y103.25 and DM1.4133 against Y103.85 and DM1.4165 late on Friday.

# Zurich Insurance downgraded by Moody's

By Ralph Atkins, Insurance Correspondent

Zurich Insurance reacted bitterly yesterday to a downgrading of its financial strength from triple A by Moody's, the international ratings agency, following the large European insurer's expansion this year in the US.

Moody's decision to lower Zurich's rating to Aa1 followed a review by the agency begun in April, after Zurich announced it planned with other investors to acquire Kemper, the US financial services group, for about $2bn.

Moody's said the deployment of substantial amounts of Zurich's capital to US markets "meaningfully altered" the finances of the company.

The ratings agency said Zurich also faced market and shareholder pressures in Europe. Consolidation in asset management and insurance industries, as well as the trend towards products being sold as "commodities", posed further challenges, Moody's said.

But Zurich said the move was "in contradiction to Zurich's known financial strength and its current business developments. Over the past years Zurich has significantly increased its earnings power and further strengthened its balance sheet".

The company had recognised a lowering of its rating was possible after a series of recent acquisitions, including much of the business of Home Holdings, the US insurer, as well as Kemper.

However Zurich argues transactions completed this year, and the Kemper deal, "compromise...neither Zurich's earnings power nor the solidity of its balance sheet".

Zurich Insurance registered shares finished SFr7 down at SFr323.

# S&P upgrades Czech ratings by two notches

By Vincent Boland in Prague

Standard & Poor's yesterday upgraded its foreign currency debt ratings for the Czech National Bank and the City of Prague by two notches, from BBB plus to A.

The outlook for both was raised from "positive" to "stable".

The international credit rating agency said the central bank's upgrade reflected the Czech Republic's "relatively painless transition" to a market economy, characterised by "socio-political stability, strong public finances, declining inflation, stable currency and the continued improvement in the government's already strong internal and external financial position".

S&P added that industrial modernisation, changes in corporate governance and further strengthening of the banking sector posed big medium-term challenges.

The improved rating for the City of Prague reflected its "booming, service-oriented local economy with strong growth potential and minimal unemployment". Unemployment in the city is officially put at about 1 per cent.

A municipal bank majority-owned by the city is considering entering the global debt market to raise up to Kč15bn for onward lending to local projects.

The upgraded ratings coincide with final negotiations on the Czech Republic's entry to the Organisation for Economic Co-operation and Development.

# Hoare Govett cuts jobs in restructuring move

By Conner Middelmann

Hoare Govett, the UK stockbroker owned since June 1992 by Dutch banking group ABN Amro, yesterday laid off 10 members of its fixed-income department as part of an internal restructuring.

The redundancies are a result of the gradual merger of ABN Amro's and Hoare Govett's international fixed income entities, ABN Amro Securities UK and Hoare Govett Fixed Income, the bank said.

The lay-offs include three bond sales staff, four traders and the gilts research team.

"We are in the process of knitting together our businesses, and rationalisation has to be a part of that," Mr Ian Abrahams, managing director of Hoare Govett Fixed Income, said.

He stressed that the lay-offs did not signal a reduction in the bank's activities in the gilts market.

"We are not pulling out of any markets – in fact, we are putting a lot of investment and resources into our fixed income operation." Mr Abrahams said. In the last six months, ABN Amro Hoare Govett has hired several people and is recruiting more staff to strengthen its bond operations.

By January 1, when ABN Amro's and Hoare Govett's bond units will have been fully amalgamated, the front office of its London-based fixed income operation, including gilts and non-gilts, is to comprise some 40 staff.

# NTT makes rare appearance with $300m offering

By Connor Middelmann

The primary eurobond market saw a handful of issues in a variety of structures and currencies yesterday.

Nippon Telegraph & Telephone, the Japanese telecommunications group, made one of its rare appearances in the eurobond market with a $300m offering of 6 per cent, five-year bonds.

Priced to yield 22 basis points over US Treasuries,

### INTERNATIONAL BONDS

they were deemed fairly priced, and sold quickly – mainly to UK and Swiss investors, said a syndicate manager at SBC Warburg, joint lead with Paribas Capital Markets.

NTT's pricing reflected the recent spread-widening that has taken place in the secondary market recently, traders said. "Five-year spreads have widened by about four basis points over the last week – there hasn't been much retail buying, and some investors feel US Treasuries have rallied too far."

In the D-Mark sector, Deutsche Finance, the Curaçao subsidiary of Deutsche Bank, issued DM500m of 5.5 per cent five-year bonds targeted largely at retail investors in the Benelux and Switzerland. The bonds yielded some 33 basis points at the co-manager break-even price.

Deutsche's offering somewhat overshadowed a DM200m issue of 5.5 per cent five-year bonds for Germany's DSL Finance, also rated triple-A but less well-known than Deutsche Bank. The spread, initially 34 basis points over German government notes at the re-offer price, widened to around 38 basis points in the course of the day. However, lead manager Union Bank of Switzerland was confident the bonds would get placed with time. "DSL is popular with Swiss investors," said a syndicate manager at UBS SAID.

Elsewhere, the Housing Fund of Finland launched a securitisation of rental housing loans, the first public securitisation sponsored by a European government.

The issue consists of $350m of senior asset-backed floating rate notes, supported by a $13.7m tranche of mezzanine notes issued by Fennica No. 1, a special purpose vehicle incorporated in Ireland for the purpose of the securitisation.

The assets backing the securitisation are loans granted by the Housing Fund, a government agency, for the construction, renovation or purchase of multi-family rental housing in Finland.

The underlying loans were approved between 1973 and 1989, and have therefore "been stress tested through the Finnish recession of 1990-1993," the deepest suffered by any industrialised country since 1945, according to lead manager Baring Brothers.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Fennica No.1, Senior(a)‡ | 350 | (a1) | 100.00R | Nov.2000 | 0.25R | - | Baring Brothers |
| Fennica No.1, Mezzanine(a)‡ | 13.7 | (a2) | 100.00 | Nov.2000 | 0.625 | - | Baring Brothers |
| NTT | 300 | 6.00 | 99.903R | Dec.2000 | 0.25R | +22(5¾%-00) | Paribas/ SBC Warburg |
| **D-MARKS** | | | | | | | |
| Deutsche Finance (Curaçao) | 500 | 5.50 | 101.78 | Nov.2000 | 2.00 | - | Deutsche Bank |
| DSL Finance | 200 | 5.50 | 99.744R | Dec.2000 | 0.25R | +34(5⅞%-00) | UBS (Deutschland) |
| **YEN** | | | | | | | |
| Hamburgische Landesbank♦ | 10bn | (b) | 100.50 | Jan.2016 | 0.50 | - | UBS |
| **LUXEMBOURG FRANCS** | | | | | | | |
| GenFinance Luxembourg | 7bn | (c) | 101.825 | Dec.2004 | 2.00 | - | BGL |
| **DANISH KRONER** | | | | | | | |
| Kredietbank Intl. Finance | 400 | 6.875 | 102.017 | Dec.1999 | 1.625 | - | Kredietbank |
| **CANADIAN DOLLARS** | | | | | | | |
| Ford Credit Canada§ | 100 | 7.125 | 98.50R | Dec.2000 | 0.30R | +36(7½%-00) | Toronto-Dominion Bank |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| ESRA, Series 12(d,s)♦ | 100 | 7.50# | 100.00R | Apr.2002 | 0.35R | - | Merrill Lynch International |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Secured by loans made by the Housing Fund of Finland. Legal maturity: 20/11/25. Callable on coupon dates from Nov.00 at par. a1) 6-mth Libor +23bp to Nov.00 and +100bp thereafter. a2) 6-mth Libor +55bp to Nov.00 and +150bp thereafter. b) 5.87% in A$, 5.55% in DM or 5.60% in US$, at issuers option. c) 6¼% to 15/12/01 and 7½% thereafter. d) Backed by Italian govt bonds (CCTs). ♦ Long 1st coupon. s) Short 1st coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 7.500 | 07/05 | 92.3000 | −0.360 | 8.89 | 8.68 | 8.66 |
| Austria | | 6.875 | 06/05 | 99.8700 | −0.020 | 6.89 | 6.93 | 7.03 |
| Belgium | | 6.500 | 03/05 | 97.2300 | +0.060 | 6.90 | 6.98 | 7.16 |
| Canada * | | 8.750 | 12/05 | 108.5000 | −0.150 | 7.53 | 7.78 | 7.95 |
| Denmark | | 7.000 | 12/04 | 95.2400 | −0.060 | 7.75 | 7.84 | 8.01 |
| France | BTAN | 7.750 | 04/00 | 104.3750 | −0.500 | 6.47 | 6.57 | 6.82 |
| | OAT | 7.750 | 10/05 | 103.4200 | −0.120 | 7.26 | 7.33 | 7.70 |
| Germany Bund | | 6.500 | 10/05 | 100.7600 | +0.340 | 6.39 | 6.47 | 6.67 |
| Ireland | | 6.250 | 10/04 | 89.5500 | +0.150 | 7.92 | 8.13 | 8.32 |
| Italy | | 10.500 | 09/05 | 94.2400 | −0.690 | 11.49† | 11.61 | 11.40 |
| Japan | No 129 | 6.400 | 03/00 | 119.7320 | +0.110 | 1.56 | 1.56 | 1.66 |
| | No 174 | 4.600 | 09/04 | 113.1700 | +1.890 | 2.75 | 2.83 | 2.71 |
| Netherlands | | 7.000 | 06/05 | 103.8200 | +0.290 | 6.45 | 6.52 | 6.59 |
| Portugal | | 11.875 | 02/05 | 103.9600 | −0.250 | 11.14 | 11.24 | 11.24 |
| Spain | | 10.150 | 01/06 | 94.4300 | +0.390 | 10.79 | 10.91 | 10.95 |
| Sweden | | 8.000 | 02/05 | 80.4370 | −0.570 | 9.23 | 9.20 | 9.69 |
| UK Gilts | | 8.000 | 12/00 | 103-00 | +6/32 | 7.28 | 7.43 | 7.66 |
| | | 8.500 | 12/05 | 104-14 | +12/32 | 7.85 | 8.01 | 8.13 |
| | | 9.000 | 10/08 | 108-05 | +13/32 | 7.98 | 8.13 | 8.22 |
| US Treasury * | | 6.500 | 08/05 | 104-01 | −7/32 | 5.95 | 6.04 | 6.33 |
| | | 6.875 | 08/25 | 107-31 | −3/32 | 6.28 | 6.36 | 6.64 |
| ECU (French Govt) | | 7.500 | 04/05 | 98.7300 | −0.530 | 7.68 | 7.67 | 7.83 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | 5.40 | Two year | 5.43 |
| Prime rate | 8¾ | Two month | 5.50 | Three year | 5.53 |
| Broker loan rate | 7⅝ | Three month | 5.40 | Five year | 5.71 |
| Fed funds | 5¾ | Six month | 5.51 | 10 year | 5.96 |
| Fed funds at intervention | 5⅞ | One year | 5.44 | 30 year | 6.35 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Dec | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|---|---|
| 9650 | 0.68 | 0.61 | 0.86 | 1.02 | 0.22 | 0.74 | 0.99 | 1.15 |
| 9700 | 0.38 | 0.39 | 0.61 | 0.78 | 0.42 | 1.02 | 1.24 | 1.41 |
| 9750 | 0.18 | 0.24 | 0.44 | 0.59 | 0.72 | 1.37 | 1.57 | 1.72 |

Est. vol. total, Calls 13146 Puts 10948. Previous day's open int., Calls 183057 Puts 175710

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 102.50 | 102.84 | +0.24 | 102.96 | 102.22 | 28372 | 43115 |
| Mar | 102.10 | 102.42 | +0.23 | 102.50 | 101.78 | 358 | 1606 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Dec | CALLS Mar | PUTS Dec | PUTS Mar |
|---|---|---|---|---|
| 10250 | 1.00 | 2.08 | 0.66 | 2.16 |
| 10300 | 0.74 | 1.85 | 0.90 | 2.43 |
| 10350 | 0.54 | 1.63 | 1.20 | 2.71 |

Est. vol. total, Calls 1232 Puts 994. Previous day's open int., Calls 48149 Puts 42917

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 89.43 | 89.64 | +0.21 | 89.67 | 89.22 | 31,014 | 32,984 |
| Mar | - | 89.55 | +0.01 | - | - | 160 | 358 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 107-03 | 107-16 | +0-15 | 107-19 | 106-31 | 21934 | 107805 |
| Mar | 106-23 | 106-29 | +0-15 | 106-23 | 106-23 | 200 | 3059 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Dec | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|---|---|
| 107 | 0-63 | 1-05 | 1-31 | 1-47 | 0-31 | 1-11 | 1-37 | 1-53 |
| 108 | 0-30 | 0-41 | 1-03 | 1-17 | 0-62 | 1-47 | 2-09 | 2-23 |
| 109 | 0-12 | 0-22 | 0-46 | 0-58 | 1-44 | 2-28 | 2-52 | 3-00 |

Est. vol. total, Calls 100 Puts 300. Previous day's open int., Calls 34983 Puts 23817

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 87.40 | 87.22 | −0.26 | 87.40 | 87.08 | 1,448 | 9,657 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 117-26 | 117-26 | −0-03 | 117-28 | 117-19 | 224,984 | 403,649 |
| Mar | 117-16 | 117-15 | −0-03 | 117-16 | 117-07 | 2,154 | 34,340 |
| Jun | 116-25 | 116-31 | −0-03 | 116-31 | 116-25 | 596 | 6,018 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 121.52 | - | - | 121.33 | 121.32 | 2481 | 0 |
| Mar | 120.46 | - | - | 120.62 | 120.46 | 1187 | 0 |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

### FT-ACTUARIES FIXED INTEREST INDICES

| Price indices UK Gilts | Mon Nov 6 | Day's change % | Fri Nov 3 | Accrued interest | xd adj. ytd | | Low coupon yield Nov 6 | Low Nov 3 | Low Yr. ago | Medium coupon yield Nov 6 | Medium Nov 3 | Medium Yr. ago | High coupon yield Nov 6 | High Nov 3 | High Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (22) | 121.78 | +0.15 | 121.58 | 1.57 | 9.72 | 5 yrs | 7.36 | 7.43 | 8.82 | 7.37 | 7.44 | 8.58 | 7.45 | 7.52 | 8.83 |
| 2 5-15 years (21) | 145.70 | +0.40 | 145.12 | 0.86 | 11.73 | 15 yrs | 7.98 | 8.04 | 8.58 | 8.03 | 8.08 | 8.72 | 8.11 | 8.15 | 8.96 |
| 3 Over 15 years (9) | 162.26 | +0.62 | 161.49 | 1.54 | 12.13 | 20 yrs | 8.03 | 8.09 | 8.53 | 8.07 | 8.12 | 8.72 | 8.16 | 8.18 | 8.86 |
| 4 Irredeemables (6) | 183.31 | −0.13 | 183.55 | 0.26 | 13.47 | Irred.† | 8.17 | 8.16 | 8.58 | | | | | | |
| 5 All stocks (58) | 141.50 | +0.36 | 141.03 | 1.25 | 11.18 | | | | | | | | | | |

| Index-linked | Mon Nov 6 | Day's change % | Fri Nov 3 | Accrued interest | xd adj. ytd | | Inflation 5% Nov 6 | Inflation 5% Nov 3 | Inflation 5% Yr. ago | Inflation 10% Nov 6 | Inflation 10% Nov 3 | Inflation 10% Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (1) | 193.81 | +0.07 | 193.68 | 0.27 | 8.37 | Up to 5 yrs | 3.18 | 3.21 | 4.07 | 2.08 | 2.10 | 2.94 |
| 7 Over 5 years (11) | 186.83 | +0.18 | 186.49 | 0.95 | 4.45 | Over 5 yrs | 3.64 | 3.66 | 3.88 | 3.45 | 3.46 | 3.69 |
| 8 All stocks (12) | 186.85 | +0.18 | 186.52 | 0.93 | 4.54 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Nov 6 | Nov 6 | Nov 2 | Nov 1 | Oct 31 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 94.05 | 93.84 | 94.04 | 93.69 | 93.47 | 91.04 | 95.51 | 90.22 |
| Fixed Interest | 112.41 | 112.56 | 112.42 | 112.07 | 111.66 | 108.01 | 114.66 | 108.77 |

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Nov 3 | Nov 2 | Nov 1 | Oct 31 | Oct 30 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 95.4 | 91.2 | 96.3 | 87.5 | 92.5 |
| 5-day average | 90.6 | 87.6 | 89.0 | 95.1 | 95.8 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 6

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 5 97 | 1000 | 99⅛ | 99¼ | +⅛ | 5.73 |
| Abbey Natl Treasury 6½ 03 | 1000 | 100 | 100¼ | −⅛ | 6.49 |
| ABN Amro Bank 7¼ 05 | 1000 | 104⅛ | 104⅜ | −⅛ | 6.73 |
| African Dev Bk 7⅜ 23 | 500 | 103¼ | 103¾ | −¼ | 7.10 |
| Alberta Province 7⅜ 98 | 1000 | 104¾ | 105 | | 5.85 |
| Sweden 8 97 | 2500 | 105½ | 105⅝ | | 4.52 |
| United Kingdom 7¼ 97 | 5500 | 105⅛ | 105⅛ | +⅛ | 4.36 |
| Volkswagen Intl Fin 7 03 | 1000 | 102⅞ | 100 | +⅛ | 6.52 |
| World Bank 0 15 | 2000 | 26½ | 27 | +⅛ | 6.82 |
| World Bank 5⅜ 03 | 3000 | 97 | 97 | +¼ | 6.36 |
| Abbey Natl Treasury 8 03 £ | 1000 | 98¾ | 98⅞ | +¼ | 8.22 |
| Alliance Leics 11⅛ 97 £ | 100 | 108 | 108¼ | +⅛ | 6.97 |
| British Land 8⅞ 23 £ | 150 | 92¾ | 93 | +½ | 9.65 |
| Denmark 6¾ 98 £ | 800 | 98¾ | 99 | +⅛ | 7.24 |
| EIB 8 03 £ | 1000 | 103 | 100⅛ | +⅛ | 7.99 |
| Halifax 10⅜ 97 £ | 100 | 104⅛ | 104½ | | 6.86 |

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## UK GILTS PRICES

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## CURRENCIES AND MONEY

MARKETS REPORT

# Dollar edges down on debt limit fears

By Robert Chote

The dollar drifted lower in a day of lacklustre activity on the foreign exchanges yesterday, with uncertainty about the extension of the US government's debt ceiling still overshadowing the market.

Most European currencies fell slightly against the D-mark, as is often the case on days when trading is quiet. Sterling was undermined as a big fall in UK September factory output reinforced expectations of a post-Budget interest rate cut. But it made up some ground in late afternoon.

The Swedish krona fell more sharply than most of its European counterparts against the D-mark after the government in Stockholm announced it was not planning early entry into the European exchange rate mechanism and that it intended to take responsibility for exchange rate policy away from the central bank.

In London the dollar fell 0.21 pfennigs from Friday's close to DM1.4134, and Y0.79 from Friday's finish to Y102.875.

■ With President Bill Clinton and congressional leaders in Jerusalem for the funeral of the assassinated Israeli prime minister, Yitzhak Rabin, there were no real developments in the saga of the US government debt ceiling for the markets to get their teeth into.

With an extension of the debt ceiling still not agreed the dollar has lost momentum. It did well last week but notably failed to clear chart points at DM1.4250 and Y104. Dealers said it could drift lower yet until something shakes the market from its torpor.

"As long as the uncertainty continues, investors will remain cautious", argued Mr Nick Stamenkovich, economist at DKB International. He said the Republicans were using the debt limit issue to try to force the White House into accepting their proposals to cut the US budget deficit. He predicted that the dollar would trend higher once the debt limit had been extended and a deficit reduction programme agreed.

The fragility of the Mexican peso is also undermining support for the US currency. The peso was lifted yesterday by hopes of higher interest rates.

A survey of 20 London-based currency analysts by Reuters shows that the dollar is on average expected to end next year at Y105.17, with estimates varying from Y81.10 to Y120.20. Against the mark, dollar predictions for end-1996 varied from DM1.43 to DM1.70, centring around DM1.5368.

■ The pound had already started weakening before the release of September's UK industrial production data. The 0.6 per cent drop in factory output was more severe than expected, but consistent with the idea that companies want to use up unsold goods.

The short-sterling futures market signalled expectations shifting slightly more in favour of an interest rate cut after this month's Budget or early next year. But the move was limited. The March contract gained 7 basis points to predict base rates next spring of 6.42 per cent, compared to the current 6.75 per cent.

In London the pound ended 0.32 pfennigs below Friday's close at DM2.2332 and 0.01 cents higher at $1.58. Mr David Cocker, currency analyst at Chemical Bank, said that a break below DM2.2280 would be more serious, signalling further pressure in the run-up to this month's budget.

■ An attempt by Mr Goran Persson, the Swedish finance minister, to halt speculation that the country would soon enter the European exchange rate mechanism, helped depress the Swedish krona.

But Ms Alison Cottrell, economist at PaineWebber, said this simply nudged the krona further in the direction in which most European currencies were already travelling.

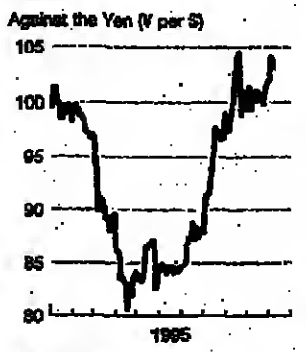
The Swedish government formally unveiled its "growth package" and said the country's currency was still undervalued. The government also plans to wrest responsibility for exchange rate policy from the Riksbank, moving into line with other countries. The krona fell from SKr4.7 against the D-mark to SKr4.738.

The French franc dropped from FFr3.458 to the D-mark to FFr3.465, amid expectations that French interest rates could drop later this week while German repo rates will be lucky to see a cut of a single basis point. The Italian lira fell from L1126 to L1128.

■ The Bank of England provided £850m to the money market to meet a shortage forecast at the same amount.

**Dollar**

Against the Yen (Y per $)




Source: FT Extel

■ **Pound in New York**

| Nov 6 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5775 | 1.5800 |
| 1 mth | 1.5768 | 1.5788 |
| 3 mth | 1.5745 | 1.5769 |
| 1 yr | 1.5630 | 1.5648 |

■ **OTHER CURRENCIES**

| Nov 6 | £ | $ |
|---|---|---|
| Czech Rp | 41.4050 - 41.4549 | 26.2140 - 26.2290 |
| Hungary | 208.873 - 209.094 | 132.240 - 132.290 |
| Iran | 4741.50 - 4736.50 | 3000.00 - 3000.00 |
| Kuwait | 0.4740 - 0.4745 | 0.3001 - 0.3004 |
| Poland | 3.8777 - 3.8543 | 2.4550 - 2.4550 |
| Russia | 7150.18 - 7152.39 | 4524.00 - 4527.00 |
| UAE | 5.8012 - 5.8053 | 3.6728 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Nov 6 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 15.7132 | -0.0226 | 043 - 220 | 15.7783 | 15.4698 | 15.6828 | 2.3 | 15.6242 | 2.3 | - | - | 107.1 |
| Belgium | (BFr) | 45.8990 | -0.0916 | 529 - 451 | 46.1010 | 45.1770 | 45.804 | 2.5 | 45.614 | 2.5 | 44.879 | 2.2 | 109.6 |
| Denmark | (DKr) | 8.6560 | -0.0082 | 509 - 611 | 8.8664 | 8.5145 | 8.6484 | 1.1 | 8.6316 | 1.1 | 8.5693 | 1.0 | 110.2 |
| Finland | (FM) | 6.7157 | -0.0185 | 094 - 238 | 6.7860 | 6.6190 | 6.7123 | 0.8 | 6.7043 | 0.7 | - | - | 88.2 |
| France | (FFr) | 7.7377 | +0.0085 | 332 - 421 | 7.7555 | 7.6051 | 7.7447 | -1.1 | 7.7502 | -0.6 | 7.7448 | -0.1 | 110.2 |
| Germany | (DM) | 2.2332 | -0.0032 | 320 - 344 | 2.2435 | 2.1975 | 2.2285 | 2.6 | 2.2192 | 2.5 | 2.178 | 2.5 | 112.4 |
| Greece | (Dr) | 368.677 | -0.072 | 482 - 873 | 370.485 | 363.310 | - | - | - | - | - | - | 67.0 |
| Ireland | (I£) | 0.9779 | -0.0001 | 770 - 788 | 0.9790 | 0.9600 | 0.9771 | 1.0 | 0.9758 | 0.9 | 0.9726 | 0.5 | 97.5 |
| Italy | (L) | 2519.39 | +1.9 | 741 - 137 | 2526.70 | 2477.08 | 2526.64 | -3.5 | 2541.54 | -3.5 | 2609.69 | -3.6 | 70.0 |
| Luxembourg | (LFr) | 45.8990 | -0.0916 | 529 - 451 | 46.1010 | 45.1770 | 45.804 | 2.5 | 45.614 | 2.5 | 44.879 | 2.2 | 109.6 |
| Netherlands | (Fl) | 2.5013 | -0.004 | 997 - 029 | 2.5116 | 2.4616 | 2.4956 | 2.7 | 2.4844 | 2.7 | 2.4387 | 2.5 | 109.7 |
| Norway | (NKr) | 9.8699 | +0.0016 | 632 - 765 | 9.9143 | 9.6953 | 9.8575 | 1.5 | 9.8356 | 1.4 | 9.7601 | 1.1 | 98.8 |
| Portugal | (Es) | 235.025 | -0.236 | 872 - 178 | 237.651 | 230.889 | 235.565 | -2.8 | 236.785 | -3.0 | - | - | 95.3 |
| Spain | (Pta) | 192.626 | -0.161 | 510 - 742 | 193.699 | 189.801 | 193.126 | -3.1 | 194.086 | -3.0 | 198.466 | -3.0 | 81.3 |
| Sweden | (SKr) | 10.5793 | +0.0737 | 700 - 886 | 10.5949 | 10.3448 | 10.5815 | -0.2 | 10.5861 | -0.3 | 10.6094 | -0.3 | 85.4 |
| Switzerland | (SFr) | 1.7981 | +0.0001 | 967 - 994 | 1.8006 | 1.7645 | 1.791 | 4.7 | 1.7792 | 4.2 | 1.7252 | 4.0 | 116.7 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 94.3 |
| Ecu | - | 1.2183 | -0.0028 | 174 - 191 | 1.2248 | 1.2007 | 1.2173 | 0.8 | 1.2155 | 0.8 | 1.2073 | 0.6 | - |
| SDR† | - | 1.051100 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5798 | +0.0008 | 792 - 803 | 1.5858 | 1.5546 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.5183 | -0.0006 | 184 - 201 | 1.5243 | 1.4944 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1338 | +0.0088 | 323 - 353 | 2.1406 | 2.0972 | 2.1349 | -0.6 | 2.1369 | -0.6 | 2.1407 | -0.3 | 84.7 |
| Mexico | (New Peso) | 11.5972 | -0.1178 | 540 - 404 | 11.6711 | 11.5040 | - | - | - | - | - | - | - |
| USA | ($) | 1.5800 | +0.0001 | 795 - 805 | 1.5860 | 1.5779 | 1.5788 | 0.8 | 1.577 | 0.8 | 1.5648 | 1.0 | 93.3 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0942 | +0.0092 | 921 - 962 | 2.0962 | 2.0921 | 2.0955 | -0.7 | 2.0983 | -0.8 | 2.1131 | -0.9 | 86.6 |
| Hong Kong | (HK$) | 12.2171 | +0.0005 | 124 - 217 | 12.2637 | 12.0222 | 12.2136 | 0.3 | 12.2012 | 0.5 | 12.1676 | 0.4 | - |
| India | (Rs) | 54.8814 | +0.1378 | 087 - 540 | 55.2090 | 54.1010 | - | - | - | - | - | - | - |
| Israel | (Shk) | 4.7713 | -0.004 | 660 - 766 | 4.7977 | 4.7053 | - | - | - | - | - | - | - |
| Japan | (Y) | 162.543 | -1.237 | 452 - 634 | 164.460 | 160.840 | 161.628 | 6.8 | 160.016 | 6.2 | 153.093 | 5.8 | 139.3 |
| Malaysia | (M$) | 4.0140 | -0.0084 | 119 - 161 | 4.0300 | 3.9516 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.4095 | -0.005 | 078 - 111 | 2.4111 | 2.4054 | 2.4154 | -3.0 | 2.4247 | -2.5 | 2.4503 | -1.7 | 101.2 |
| Philippines | (Peso) | 41.2697 | +0.0896 | 776 - 617 | 41.3617 | 41.1776 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.9259 | +0.0004 | 238 - 280 | 5.9461 | 5.8308 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.2275 | -0.0057 | 260 - 290 | 2.2397 | 2.1956 | - | - | - | - | - | - | - |
| South Africa | (R) | 5.7527 | -0.0061 | 497 - 557 | 5.7794 | 5.6673 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1219.13 | - | 858 - 967 | 1223.60 | 1199.68 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 42.9831 | -0.0432 | 671 - 991 | 43.1392 | 42.2944 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 39.8316 | -0.0528 | 034 - 602 | 40.0840 | 39.2180 | - | - | - | - | - | - | - |

† Rates for Nov 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are are directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Nov 6 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 6.9451 | -0.0149 | 438 - 475 | 6.9760 | 6.9160 | 6.93 | 1.8 | 6.8999 | 1.8 | 9.7906 | 1.6 | 107.0 |
| Belgium | (BFr) | 29.0500 | -0.06 | 300 - 700 | 29.1200 | 28.9690 | 29.009 | 1.7 | 28.93 | 1.7 | 28.53 | 1.4 | 103.1 |
| Denmark | (DKr) | 5.4785 | -0.0055 | 770 - 800 | 5.4955 | 5.4606 | 5.4793 | -0.2 | 5.475 | 0.3 | 5.4845 | -0.1 | 109.2 |
| Finland | (FM) | 4.2511 | -0.012 | 478 - 543 | 4.2710 | 4.2397 | 4.2507 | 0.1 | 4.2496 | 0.1 | 4.2451 | 0.1 | 110.0 |
| France | (FFr) | 4.8973 | -0.0038 | 960 - 985 | 4.8995 | 4.8810 | 4.9001 | -0.7 | 4.9051 | -0.6 | 4.9186 | -0.4 | 110.0 |
| Germany | (DM) | 1.4134 | -0.0021 | 131 - 137 | 1.4185 | 1.4082 | 1.4114 | 1.7 | 1.4072 | 1.7 | 1.3916 | 1.5 | 111.5 |
| Greece | (Dr) | 233.340 | -0.06 | 290 - 390 | 234.250 | 232.320 | 235.065 | -8.9 | 238.265 | -8.4 | 251.74 | -7.9 | 66.5 |
| Ireland | (I£) | 1.6157 | +0.0002 | 147 - 167 | 1.6220 | 1.6135 | 1.6159 | -0.1 | 1.6159 | -0.1 | 1.6224 | -0.4 | - |
| Italy | (L) | 1594.55 | +1.1 | 380 - 530 | 1596.51 | 1591.25 | 1601.3 | -5.1 | 1613.35 | -4.7 | 1670.55 | -4.9 | 69.9 |
| Luxembourg | (LFr) | 29.0500 | -0.06 | 300 - 700 | 29.1200 | 28.9690 | 29.009 | 1.7 | 28.93 | 1.7 | 28.53 | 1.4 | 103.1 |
| Netherlands | (Fl) | 1.5831 | -0.0026 | 826 - 836 | 1.5879 | 1.5782 | 1.5804 | 2.0 | 1.5754 | 2.0 | 1.5554 | 1.9 | 105.9 |
| Norway | (NKr) | 6.2468 | +0.0008 | 445 - 490 | 6.2561 | 6.2225 | 6.2431 | 0.7 | 6.2368 | 0.6 | 6.2266 | 0.3 | 98.0 |
| Portugal | (Es) | 148.750 | +0.14 | 700 - 800 | 148.610 | 148.270 | 149.215 | -3.8 | 150.225 | -4.0 | 154.85 | -4.1 | 95.5 |
| Spain | (Pta) | 121.915 | -0.11 | 880 - 950 | 122.170 | 121.710 | 122.295 | -3.7 | 123.065 | -3.8 | 126.56 | -3.8 | 81.0 |
| Sweden | (SKr) | 6.6958 | +0.0463 | 920 - 995 | 6.7050 | 6.6330 | 6.7133 | -3.1 | 6.7498 | -3.2 | 6.9183 | -3.3 | 85.7 |
| Switzerland | (SFr) | 1.1380 | - | 375 - 385 | 1.1415 | 1.1331 | 1.1344 | 3.8 | 1.1283 | 3.4 | 1.1005 | 3.3 | 116.0 |
| UK | (£) | 1.5800 | -0.0001 | 795 - 805 | 1.5860 | 1.5779 | 1.5789 | 0.6 | 1.577 | 0.6 | 1.5651 | 0.9 | 83.7 |
| Ecu | - | 1.2969 | +0.003 | 964 - 974 | 1.2994 | 1.2910 | 1.2973 | -0.4 | 1.298 | -0.3 | 1.3003 | -0.3 | - |
| SDR† | - | 0.67280 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | +0.0003 | 998 - 999 | 1.0000 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 0.9616 | -0.0004 | 613 - 616 | 0.9623 | 0.9613 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3505 | +0.0055 | 500 - 510 | 1.3525 | 1.3463 | 1.3521 | -1.5 | 1.3552 | -1.4 | 1.3675 | -1.3 | 84.0 |
| Mexico | (New Peso) | 7.3400 | -0.075 | 150 - 650 | 7.3650 | 7.3150 | 7.3422 | -0.4 | 7.3454 | -0.3 | 7.3503 | -0.1 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 94.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3254 | -0.0058 | 245 - 263 | 1.3268 | 1.3214 | 1.3272 | -1.6 | 1.3308 | -1.6 | 1.3505 | -1.9 | 88.1 |
| Hong Kong | (HK$) | 7.7323 | -0.0002 | 316 - 328 | 7.7328 | 7.7316 | 7.7339 | -0.2 | 7.7358 | -0.2 | 7.7561 | -0.3 | - |
| India | (Rs) | 34.7350 | -0.085 | 000 - 700 | 34.8300 | 34.2500 | 34.885 | -5.2 | 35.19 | -5.2 | 36.66 | -5.5 | - |
| Israel | (Shk) | 3.0198 | -0.0027 | 174 - 222 | 3.0296 | 3.0170 | - | - | - | - | - | - | - |
| Japan | (Y) | 102.875 | -0.79 | 850 - 900 | 104.030 | 102.750 | 102.38 | 5.8 | 101.46 | 5.5 | 97.585 | 5.1 | 138.4 |
| Malaysia | (M$) | 2.5405 | -0.0055 | 400 - 410 | 2.5485 | 2.5397 | 2.5405 | 0.0 | 2.5409 | -0.1 | 2.5485 | -0.3 | - |
| New Zealand | (NZ$) | 1.5249 | -0.0032 | 244 - 256 | 1.5256 | 1.5194 | 1.529 | -3.2 | 1.5365 | -3.0 | 1.5612 | -2.4 | - |
| Philippines | (Peso) | 26.1200 | +0.055 | 700 - 700 | 26.1700 | 26.0700 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | +0.0001 | 504 - 507 | 3.7507 | 3.7502 | 3.7511 | -0.2 | 3.752 | -0.1 | 3.7551 | -0.1 | - |
| Singapore | (S$) | 1.4098 | -0.0037 | 093 - 103 | 1.4132 | 1.4083 | 1.4063 | 2.9 | 1.4001 | 2.8 | 1.3753 | 2.4 | - |
| South Africa | (R) | 3.6410 | -0.0053 | 402 - 417 | 3.6455 | 3.6402 | 3.6663 | -8.3 | 3.7163 | -8.3 | 3.9475 | -8.4 | - |
| South Korea | (Won) | 771.600 | -0.05 | 500 - 700 | 771.900 | 770.400 | 774.6 | -4.7 | 778.1 | -3.4 | 796.6 | -3.2 | - |
| Taiwan | (T$) | 27.2045 | -0.029 | 030 - 060 | 27.2120 | 27.1950 | 27.2245 | -0.9 | 27.2645 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.2100 | -0.035 | 000 - 200 | 25.3120 | 25.2000 | 25.2975 | -4.2 | 24.945 | 4.2 | 26.165 | -3.8 | - |

† SDR rate per $ for Nov 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 3. Base average 1990=100

## WORLD INTEREST RATES

### MONEY RATES

| November 6 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3 7/8 | 4 | 4 1/16 | 4 1/8 | 4 1/4 | 8.00 | 3.50 | - |
| week ago | 3 7/8 | 4 | 4 1/16 | 4 1/8 | 4 1/4 | 8.00 | 3.50 | - |
| France | 6 1/16 | 6 1/8 | 6 1/8 | 6 1/8 | 6 1/8 | 5.00 | - | 7.00 |
| week ago | 6 3/8 | 6 1/4 | 6 1/4 | 6 1/4 | 6 1/8 | 5.00 | - | 7.00 |
| Germany | 3 7/8 | 4 | 4 | 4 1/8 | 4 1/8 | 5.50 | 3.50 | 4.02 |
| week ago | 4 1/8 | 4 | 4 1/16 | 4 1/8 | 4 1/8 | 5.50 | 3.50 | 4.03 |
| Ireland | 5 3/8 | 5 5/8 | 5 5/8 | 5 5/8 | 6 | - | - | 6.25 |
| week ago | 5 1/4 | 5 5/8 | 5 3/4 | 5 7/8 | 6 1/8 | - | - | 6.25 |
| Italy | 10 3/8 | 10 1/4 | 10 1/4 | 10 3/8 | 10 3/8 | - | 9.00 | 10.77 |
| week ago | 10 1/4 | 10 1/4 | 10 5/8 | 10 3/8 | 10 3/8 | - | 9.00 | 10.77 |
| Netherlands | 3 3/4 | 3 7/8 | 3 7/8 | 3 7/8 | 3 7/8 | - | 3.50 | 3.70 |
| week ago | 3 3/4 | 3 7/8 | 3 7/8 | 3 7/8 | 4 | - | 3.50 | 3.70 |
| Switzerland | 2 1/8 | 2 1/8 | 2 1/8 | 2 1/8 | 2 1/8 | 5.00 | 2.00 | - |
| week ago | 1 7/8 | 2 1/8 | 2 1/8 | 2 1/8 | 2 1/8 | 5.00 | 2.00 | - |
| US | 5 3/4 | 5 3/4 | 5 7/8 | 5 5/8 | 5 1/2 | - | 5.25 | - |
| week ago | 5 3/4 | 5 3/4 | 5 3/4 | 5 3/4 | 5 5/8 | - | 5.25 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 5 7/8 | 5 7/8 | 5 7/8 | 5 3/4 | - | - | - |
| week ago | - | 5 7/8 | 5 7/8 | 5 7/8 | 5 3/4 | - | - | - |
| US Dollar CDs | - | 5.62 | 5.51 | 5.50 | 5.45 | - | - | - |
| week ago | - | 5.62 | 5.59 | 5.60 | 5.59 | - | - | - |
| ECU Linked Ds | - | 5 3/4 | 5 3/4 | 5 3/4 | 5 5/8 | - | - | - |
| week ago | - | 5 3/4 | 5 3/4 | 5 3/4 | 5 5/8 | - | - | - |
| SDR Linked Ds | - | 3 5/8 | 3 5/8 | 3 5/8 | 3 5/8 | - | - | - |
| week ago | - | 3 5/8 | 3 5/8 | 3 5/8 | 3 5/8 | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Nov 6 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 4 1/16 - 3 15/16 | 4 1/16 - 3 15/16 | 4 1/8 - 4 | 4 3/16 - 4 1/16 | 4 1/4 - 4 1/8 | 4 3/8 - 4 1/4 |
| Danish Krone | 5 1/2 - 5 1/4 | 5 7/8 - 5 5/8 | 5 1/2 - 5 1/4 | 5 5/8 - 5 1/2 | 5 3/8 - 5 1/4 | 5 5/8 - 5 1/2 |
| D-Mark | 4 1/8 - 4 | 4 1/8 - 4 | 4 1/8 - 4 | 4 1/8 - 4 | 4 1/8 - 4 | 4 1/8 - 4 |
| Dutch Guilder | 3 7/8 - 3 3/4 | 3 7/8 - 3 3/4 | 3 7/8 - 3 3/4 | 3 15/16 - 3 13/16 | 3 15/16 - 3 7/8 | 4 1/8 - 3 15/16 |
| French Franc | 6 1/4 - 5 7/8 | 6 1/8 - 6 1/4 | 6 13/16 - 6 5/16 | 6 13/16 - 6 5/16 | 6 1/2 - 5 1/2 | 6 1/8 - 5 7/8 |
| Portuguese Esc. | [illegible] | [illegible] | 9 - 8 7/8 | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | 6 3/4 - 6 5/8 | 6 3/4 - 6 5/8 | 6 13/16 - 6 5/8 | 6 13/16 - 6 11/16 | 6 13/16 - 6 5/8 | 6 13/16 - 6 5/8 |
| Swiss Franc | 3 1/8 - 2 7/8 | 2 1/2 - 2 1/8 | 2 3/16 - 2 1/16 | 2 3/16 - 2 1/16 | 2 1/8 - 2 | 2 1/8 - 2 |
| Can. Dollar | 6 - 5 13/16 | 6 1/16 - 5 7/8 | 6 - 5 7/8 | 6 - 5 7/8 | 6 1/16 - 5 15/16 | 6 1/4 - 6 1/16 |
| US Dollar | 5 7/8 - 5 3/4 | 5 3/4 - 5 5/8 | 5 3/4 - 5 5/8 | 5 13/16 - 5 11/16 | 5 11/16 - 5 9/16 | 5 11/16 - 5 1/2 |
| Italian Lira | 10 5/8 - 10 3/8 | 10 5/8 - 10 3/8 | 10 1/2 - 10 3/8 | 10 5/8 - 10 1/2 | 10 5/8 - 10 1/2 | 10 3/4 - 10 1/2 |
| Yen | 1/2 - 3/8 | 1/2 - 3/8 | 1/2 - 3/8 | 1/2 - 3/8 | 1/2 - 3/8 | 3/4 - 5/8 |
| Asian $Sing | 2 13/16 - 2 11/16 | 2 13/16 - 2 5/8 | 2 3/4 - 2 5/8 | 2 13/16 - 2 11/16 | 2 13/16 - 2 11/16 | 3 1/8 - 3 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.87 | 93.68 | -0.23 | 93.97 | 93.64 | 30,383 | 43,174 |
| Mar | 94.30 | 94.17 | -0.16 | 94.30 | 94.17 | 6,010 | 35,912 |
| Jun | 94.50 | 94.44 | -0.09 | 94.50 | 94.43 | 2,773 | 31,031 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.95 | 95.98 | -0.03 | 95.98 | 95.95 | 7370 | 127278 |
| Mar | 96.16 | 96.17 | -0.04 | 96.18 | 96.13 | 16180 | 151026 |
| Jun | 96.12 | 96.15 | -0.04 | 96.10 | 96.11 | 12705 | 127235 |
| Sep | 95.97 | 96.01 | +0.05 | 96.02 | 95.97 | 6808 | 91947 |

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 89.48 | 89.48 | -0.01 | 89.50 | 89.41 | 4482 | 25610 |
| Mar | 89.80 | 89.80 | -0.01 | 89.80 | 89.73 | 1796 | 21538 |
| Jun | 89.90 | 89.93 | - | 89.92 | 89.67 | 644 | 14722 |
| Sep | 89.96 | 90.00 | -0.01 | 90.00 | 89.92 | 172 | 7942 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 97.99 | 97.92 | -0.03 | 97.99 | 97.90 | 3301 | 19919 |
| Mar | 98.12 | 98.10 | -0.02 | 98.12 | 98.06 | 1027 | 21560 |
| Jun | 98.07 | 98.07 | -0.02 | 98.07 | 98.05 | 353 | 7092 |
| Sep | 97.90 | 97.92 | +0.05 | 97.92 | 97.90 | 190 | 3451 |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.37 | 94.36 | -0.03 | 94.37 | 94.33 | 482 | 8961 |
| Mar | 94.51 | 94.50 | -0.03 | 94.51 | 94.49 | 139 | 4676 |
| Jun | 94.46 | 94.50 | -0.02 | 94.50 | 94.47 | 23 | 2755 |
| Sep | 94.37 | 94.40 | +0.01 | 94.40 | 94.35 | 216 | 1884 |

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 8925 | 0.42 | 0.89 | 1.08 | 0.19 | 0.34 | 0.38 |
| 8950 | 0.28 | 0.72 | 0.90 | 0.30 | 0.42 | 0.47 |
| 8975 | 0.17 | 0.56 | 0.75 | 0.44 | 0.51 | 0.57 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 12495 Puts 6350

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Nov 6 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.86 | 16.86 | 4.865 | 2.131 | 5488 | 5.448 | 21.50 | 512.0 | 419.6 | 23.05 | 3.917 | 2.179 | 4.649 | 3.442 | 354.0 | 2.654 |
| Denmark | (DKr) | 53.03 | 10 | 8.939 | 2.580 | 1.130 | 2910 | 2.889 | 11.40 | 271.5 | 222.5 | 12.22 | 2.077 | 1.155 | 2.465 | 1.825 | 187.7 | 1.407 |
| France | (FFr) | 59.32 | 11.19 | 10 | 2.886 | 1.264 | 3255 | 3.232 | 12.75 | 303.7 | 248.9 | 13.67 | 2.324 | 1.292 | 2.758 | 2.042 | 210.0 | 1.574 |
| Germany | (DM) | 20.56 | 3.876 | 3.465 | 1 | 0.438 | 1128 | 1.120 | 4.420 | 105.2 | 86.25 | 4.738 | 0.805 | 0.448 | 0.956 | 0.708 | 72.77 | 0.545 |
| Ireland | (I£) | 46.93 | 8.851 | 7.912 | 2.283 | 1 | 2576 | 2.557 | 10.09 | 240.3 | 196.9 | 10.82 | 1.838 | 1.022 | 2.182 | 1.616 | 166.2 | 1.245 |
| Italy | (L) | 1.822 | 0.344 | 0.307 | 0.089 | 0.039 | 100. | 0.099 | 0.392 | 9.329 | 7.646 | 0.420 | 0.071 | 0.040 | 0.085 | 0.063 | 6.451 | 0.048 |
| Netherlands | (Fl) | 18.35 | 3.461 | 3.094 | 0.893 | 0.391 | 1007 | 1 | 3.946 | 93.96 | 77.01 | 4.230 | 0.716 | 0.400 | 0.853 | 0.632 | 64.97 | 0.487 |
| Norway | (NKr) | 46.51 | 8.771 | 7.841 | 2.263 | 0.991 | 2552 | 2.534 | 10 | 238.1 | 195.2 | 10.72 | 1.822 | 1.013 | 2.162 | 1.601 | 164.7 | 1.234 |
| Portugal | (Es) | 16.53 | 3.683 | 3.293 | 0.950 | 0.416 | 1072 | 1.064 | 4.200 | 100. | 81.96 | 4.502 | 0.765 | 0.425 | 0.908 | 0.672 | 69.15 | 0.519 |
| Spain | (Pta) | 23.83 | 4.494 | 4.016 | 1.159 | 0.508 | 1308 | 1.299 | 5.124 | 122.0 | 100. | 5.493 | 0.934 | 0.519 | 1.108 | 0.820 | 84.37 | 0.632 |
| Sweden | (SKr) | 43.38 | 8.181 | 7.314 | 2.111 | 0.924 | 2381 | 2.364 | 9.326 | 222.1 | 182.0 | 10 | 1.699 | 0.945 | 2.017 | 1.493 | 153.6 | 1.151 |
| Switzerland | (SFr) | 25.53 | 4.914 | 4.304 | 1.242 | 0.544 | 1401 | 1.391 | 5.489 | 130.7 | 107.1 | 5.884 | 1 | 0.556 | 1.187 | 0.878 | 90.38 | 0.677 |
| UK | (£) | 45.90 | 8.656 | 7.738 | 2.233 | 0.978 | 2516 | 2.501 | 9.869 | 235.0 | 192.6 | 10.58 | 1.798 | 1 | 2.134 | 1.580 | 162.5 | 1.218 |
| Canada | (C$) | 21.51 | 4.056 | 3.626 | 1.046 | 0.458 | 1190 | 1.172 | 4.625 | 110.1 | 90.25 | 4.958 | 0.843 | 0.469 | 1 | 0.740 | 76.15 | 0.571 |
| US | ($) | 29.05 | 5.478 | 4.897 | 1.413 | 0.619 | 1594 | 1.583 | 6.246 | 148.7 | 121.9 | 6.696 | 1.138 | 0.633 | 1.351 | 1 | 102.8 | 0.771 |
| Japan | (Y) | 28.25 | 5.327 | 4.762 | 1.374 | 0.602 | 1550 | 1.539 | 6.073 | 144.6 | 118.5 | 6.511 | 1.106 | 0.615 | 1.313 | 0.972 | 100. | 0.750 |
| Ecu | | 37.68 | 7.107 | 6.353 | 1.833 | 0.803 | 2068 | 2.053 | 8.103 | 192.9 | 158.1 | 8.686 | 1.476 | 0.821 | 1.752 | 1.297 | 133.4 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.7049 | 0.7083 | +0.0022 | 0.7113 | 0.7049 | 22,935 | 52,111 |
| Mar | 0.7132 | 0.7129 | +0.0026 | 0.7140 | 0.7129 | 156 | 3,728 |
| Jun | - | 0.7160 | +0.0033 | 0.7160 | - | 2 | 180 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.9675 | 0.9778 | +0.0092 | 0.9795 | 0.9400 | 18,295 | 66,542 |
| Mar | 0.9910 | 0.9916 | +0.0087 | 0.9926 | 0.9900 | 568 | 8,569 |
| Jun | - | 1.0026 | +0.0082 | 1.0026 | - | 1 | 368 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.6770 | 0.8831 | +0.0016 | 0.8865 | 0.8770 | 15,274 | 34,231 |
| Mar | 0.8940 | 0.8914 | +0.0019 | 0.8940 | 0.8914 | 125 | 2,048 |
| Jun | - | 0.9000 | +0.0030 | 0.9014 | - | 1 | 472 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.5774 | 1.5810 | +0.0038 | 1.5846 | 1.5786 | 4,174 | 38,117 |
| Mar | - | 1.5760 | +0.0020 | 1.5760 | - | 6 | 227 |
| Jun | - | 1.5720 | +0.0020 | 1.5720 | - | 2 | 10 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Nov 6 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6 7/8 - 5 1/2 | 6 13/16 - 6 5/8 | 6 3/4 - 6 5/8 | 6 13/16 - 6 11/16 | 6 13/16 - 6 11/16 | 6 13/16 - 6 5/8 |
| Sterling CDs | - | - | 6 11/16 - 6 13/32 | 6 11/16 - 6 19/32 | 6 11/16 - 6 19/32 | 6 5/8 - 6 9/16 |
| Treasury Bills | - | - | 6 13/32 - 6 3/8 | 6 7/16 - 6 1/2 | - | - |
| Bank Bills | - | - | 6 5/8 - 6 1/2 | 6 9/16 - 6 15/32 | 6 17/32 - 6 1/2 | - |
| Local authority deps. | 6 11/16 - 6 7/16 | 6 11/16 - 6 5/8 | 6 13/16 - 6 5/8 | 6 13/16 - 6 5/8 | 6 13/16 - 6 5/8 | 6 13/16 - 6 5/8 |
| Discount Market deps | 6 3/4 - 6 1/2 | 6 11/16 - 6 1/2 | - | - | - | - |

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 3 | 5¾ | 5¾ | 5 | 5¼ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.5106pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1995. Agreed rate for period Nov 26, 1995 to Dec 25, 1995, Schemes II & III 8.07pc. Reference rate for period Sep 30, 1995 to Oct 31, 1995, Schemes IV & V 6.811pc. Finance House Base Rate 7pc from November 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.36 | 93.37 | +0.01 | 93.38 | 93.35 | 9511 | 80283 |
| Mar | 93.51 | 93.57 | +0.08 | 93.58 | 93.49 | 19093 | 72820 |
| Jun | 93.49 | 93.56 | +0.07 | 93.57 | 93.49 | 5643 | 46895 |
| Sep | 93.37 | 93.44 | +0.07 | 93.45 | 93.37 | 5906 | 37848 |
| Dec | 93.19 | 93.25 | +0.06 | 93.27 | 93.16 | 1736 | 25584 |

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9325 | 0.17 | 0.44 | 0.57 | 0.05 | 0.12 | 0.26 |
| 9350 | 0.05 | 0.28 | 0.41 | 0.18 | 0.21 | 0.35 |
| 9375 | 0.01 | 0.18 | 0.29 | 0.39 | 0.34 | 0.48 |

Est. vol. total, Calls 4037 Puts 3647. Previous day's open int., Calls 140795 Puts 140009

### EMS EUROPEAN CURRENCY UNIT RATES

| Nov 6 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Netherlands | 2.15214 | 2.09907 | -0.00514 | -2.47 | 6.34 | 18 |
| Belgium | 39.3960 | 38.5226 | -0.0614 | -2.22 | 6.07 | 16 |
| Germany | 1.91007 | 1.87384 | -0.00421 | -1.90 | 5.72 | 19 |
| Austria | 13.4383 | 13.1859 | -0.0284 | -1.88 | 5.70 | 14 |
| Spain | 162.493 | 161.806 | +0.01 | -0.42 | 4.16 | 3 |
| Denmark | 7.28580 | 7.26361 | -0.00962 | -0.30 | 4.03 | 2 |
| Portugal | 195.792 | 197.092 | +0.065 | 0.66 | 3.03 | -4 |
| France | 6.40608 | 6.49668 | +0.01296 | 1.41 | 2.27 | -12 |
| Ireland | 0.792214 | 0.821643 | +0.002968 | 3.71 | 0.00 | -25 |
| NON ERM MEMBERS | | | | | | |
| Greece | 292.867 | 310.027 | +0.482 | 5.86 | -2.03 | - |
| Italy | 2106.15 | 2119.55 | +10.85 | 0.59 | 3.11 | - |
| UK | 0.786652 | 0.821643 | -0.015279 | 4.45 | -0.70 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Nov | Dec | Jan | PUTS Nov | Dec | Jan |
|---|---|---|---|---|---|---|
| 1.540 | 3.82 | 4.01 | 4.38 | 0.01 | 0.28 | 0.89 |
| 1.550 | 2.82 | 3.16 | 3.65 | 0.01 | 0.43 | 0.97 |
| 1.560 | 1.87 | 2.51 | 2.99 | 0.02 | 0.70 | 1.31 |
| 1.570 | 0.93 | 1.87 | 2.45 | 0.10 | 1.07 | 1.71 |
| 1.580 | 0.26 | 1.59 | 1.94 | 0.34 | 1.29 | 2.21 |
| 1.590 | - | 1.34 | 1.51 | 1.07 | 1.54 | 2.72 |

Previous day's vol., Calls 3,235 Puts 10,645. Prev. day's open int., Calls 266,813 Puts 284,510

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.27 | 94.26 | -0.01 | 95.10 | 94.25 | 74,870 | 356,626 |
| Mar | 94.61 | 94.62 | -0.02 | 94.62 | 94.59 | 157,609 | 410,891 |
| Jun | 94.69 | 94.67 | -0.02 | 94.69 | 94.64 | 85,723 | 288,765 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.27 | 94.77 | -0.02 | 94.79 | 94.76 | 1,029 | 9,257 |
| Mar | 94.81 | 95.04 | - | 95.05 | 95.04 | 483 | 6,362 |
| Jun | 94.89 | 95.10 | -0.03 | 95.10 | 95.10 | 10 | 394 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Nov | Dec | Jan | Mar | PUTS Nov | Dec | Jan | Mar |
|---|---|---|---|---|---|---|---|---|
| 9575 | 0.24 | 0.25 | 0.44 | 0.46 | 0.01 | 0.02 | 0.02 | 0.04 |
| 9600 | 0.02 | 0.07 | 0.23 | 0.27 | 0.04 | 0.09 | 0.09 | 0.10 |
| 9625 | 0 | 0.02 | 0.08 | 0.13 | 0.27 | 0.29 | 0.16 | 0.21 |

Est. vol. total, Calls 308 Puts 1228. Previous day's open int., Calls 246639 Puts 232326

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Dec | Mar | Jun | PUTS Dec | Mar | Jun |
|---|---|---|---|---|---|---|
| 9775 | 0.21 | 0.43 | 0.47 | 0.04 | 0.08 | 0.15 |
| 9800 | 0.06 | 0.25 | 0.30 | 0.14 | 0.15 | 0.23 |
| 9825 | 0.02 | 0.13 | 0.17 | 0.36 | 0.28 | 0.35 |

Est. vol. total, Calls 200 Puts 200. Previous day's open int., Calls 6727 Puts 2275

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.75 | Duncan Lawrie | 6.75 | *Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution. | 10 |
| Allied Trust Bank | 6.75 | Exeter Bank Limited | 7.75 | Royal Bk of Scotland | 6.75 |
| AIB Bank | 6.75 | Financial & Gen Bank | 7.50 | ●Singer & Friedlander | 6.75 |
| ●Henry Ansbacher | 6.75 | ●Robert Fleming & Co | 6.75 | ●Smith & Williamson Secs | 6.75 |
| Bank of Baroda | 6.75 | Girobank | 6.75 | TSB | 6.75 |
| Banco Bilbao Vizcaya | 6.75 | ●Guinness Mahon | 6.75 | United Bank of Kuwait | 6.75 |
| Bank of Cyprus | 6.75 | Habib Bank AG Zurich | 6.75 | Unity Trust Bank Plc | 6.75 |
| Bank of Ireland | 6.75 | ●Hambros Bank | 6.75 | Western Trust | 6.75 |
| Bank of India | 6.75 | Heritable & Gen Inv Bk | 6.75 | Whiteaway Laidlaw | 6.75 |
| Bank of Scotland | 6.75 | ●Hill Samuel | 6.75 | Yorkshire Bank | 6.75 |
| Barclays Bank | 6.75 | C. Hoare & Co | 6.75 | | |
| Brit Bk of Mid East | 6.75 | Hongkong & Shanghai | 6.75 | ● Members of London Investment Banking Association | |
| ●Brown Shipley & Co Ltd | 6.75 | Julian Hodge Bank | 6.75 | * In administration | |
| Citibank NA | 6.75 | ●Leopold Joseph & Sons | 6.75 | | |
| Clydesdale Bank | 6.75 | Lloyds Bank | 6.75 | | |
| The Co-operative Bank | 6.75 | Meghraj Bank Ltd | 6.75 | | |
| Coutts & Co | 6.75 | Midland Bank | 6.75 | | |
| Credit Lyonnais | 6.75 | *Mount Banking | 6.75 | | |
| Cyprus Popular Bank | 6.75 | NatWestminster | 6.75 | | |
| | | ●Rea Brothers | 6.75 | | |

## LONDON SHARE SERVICE

### BANKS, MERCHANT

| | Notes | Price | + or - | 1995 high | 1995 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Barings 9pc Cm 2nd Pf | | 50½ | ... | 60 | 50¼ | 8.51 | 19.8 | - |
| Cater Allen | | 472 | ... | 525 | 416 | 163.8 | 7.7 | 7.1 |
| Close Bros | | £17¼ | +3 | *348½ | 216½ | 388.7 | 3.4 | [illegible] |
| Gerrard & Nat | | 430 | +7 | 490 | 395 | 218.8 | 6.4 | 14.3 |
| Hambros | | 281 | | 253 | 180 | 358.0 | 4.7 | 50.7 |
| [illegible] Pf | | 80½ | ... | 112 | 94 | 128.2 | 8.4 | - |
| [illegible] | | 493 | +10 | 493 | 353 | 34.8 | 4.9 | 25.3 |
| King & Shaxson | | 114 | ... | 145 | 85 | 20.3 | 8.9 | 10.9 |
| Rea Brothers | | 46 | ... | 67 | 44 | 21.8 | 2.8 | 16.0 |
| Schroders | | 1336 | | *1478 | 905½ | 2,028 | 1.3 | 19.1 |
| [illegible] | | 1195 | . | *1180 | 822½ | 490.2 | 1.0 | 15.7 |
| Singer & Fried | | 108 | ... | 118 | 81 | 308.5 | 4.4 | 11.0 |
| [illegible] Cv Ln 09/12 | | £100½ | | £101 | £100 | 40.0 | 8.5 | - |
| [illegible] | | 107 | +2 | 121 | 70 | 28.5 | 3.5 | - |
| [illegible] | | 295 | ... | 299 | 200 | 28.1 | 4.6 | 16.9 |

### BANKS, RETAIL

[illegible]

### BREWERIES

[illegible]

### BUILDING & CONSTRUCTION

[illegible]

### BUILDING MATS. & MERCHANTS

[illegible]

### CHEMICALS

[illegible]

### DISTRIBUTORS

[illegible]

### DIVERSIFIED INDUSTRIALS

[illegible]

### ELECTRICITY

[illegible]

### ELECTRONIC & ELECTRICAL EQPT

[illegible]

### ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

### ENGINEERING

[illegible]

### ENGINEERING, VEHICLES

[illegible]

### EXTRACTIVE INDUSTRIES

[illegible]

### EXTRACTIVE INDUSTRIES - Cont.

[illegible]

### FOOD PRODUCERS

[illegible]

### GAS DISTRIBUTION

[illegible]

### HEALTH CARE

[illegible]

### HOUSEHOLD GOODS

[illegible]

### HOUSEHOLD GOODS - Cont.

[illegible]

### INSURANCE

[illegible]

### INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

### INVESTMENT TRUSTS - Cont.

[illegible]

### INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

# LONDON SHARE SERVICE

## INV TRUSTS SPLIT CAPITAL - Cont.

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LEISURE & HOTELS - Cont.

## LIFE ASSURANCE

## MEDIA

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## OTHER SERVICES & BUSINESSES

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PROPERTY

## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SPIRITS, WINES & CIDERS

## SUPPORT SERVICES

## SUPPORT SERVICES - Cont.

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TOBACCO

## TRANSPORT

## WATER

## AIM

## AIM - Cont.

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

## GUIDE TO LONDON SHARE SERVICE

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- Highs and lows marked thus have been adjusted to allow for capital changes.
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
Figures or report awaited
Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
Free annual/interim report available, see details below.
USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
Rule 4.2(a) Irish incorporated non-listed companies.
Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
Merger bid or reorganisation in progress
§ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with . Please quote the code FT2585. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

## FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Saracen Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

### GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

### IRELAND (SIB RECOGNISED)

GT Asset Management (Ireland) Ltd

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### LUXEMBOURG (SIB RECOGNISED)

Mercury Asset Management S.A. - Contd.

### LUXEMBOURG (REGULATED)(**)

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# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Camco Investment Management Ltd

Capital International

Cathay Investment Fund Limited

Chameleon Funds Limited

Chancer Indian Investment Company Ltd

Global Asset Management - Contd.

Magnum Funds

Magna Asset Management Ltd

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan)

Malaysia Growth Fund

Republic Funds

# OTHER OFFSHORE FUNDS

# OFFSHORE INSURANCES

Wellington Fd Mngrs (Bermuda) Ltd

Intl Growth Fd | $18.69 | 18.30 | |

Wells Fargo U.S. IT Fund

Worldwide Limited

NAV Sep 29 | | $72.48 | |

Xiphias International Investment Fd Ltd

Xiphias Global Growth

Zabett Lombardier Ltd

NAV Oct 11 | | $114.07 | |

Zweig-DiMenna International Limited

NAV Oct 31 | | $13146 | |

## MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are:

Bermuda - Bermuda Monetary Authority

Guernsey - Financial Services Commission

Ireland - Central Bank of Ireland

Isle of Man - Financial Supervision Commission

Jersey - Financial Services Department

Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.

Selling price - Bid or redemption price.

Buying price - Offer or issue price.

Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(*) - 0001 to 1100 hours

(‡) - 1101 to 1400 hours

(‡‡) - 1401 to 1700 hours

(‡‡‡) - 1701 to midnight

E - Exit charge on sale of units.

C - Manager's periodic charge deducted from capital.

H - Historic pricing F - Forward pricing

b - Distribution free of UK taxes.

p - Periodic premium insurance plans.

s - Single premium insurance.

x - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).

t - Offered price includes all expenses except agent's commission.

y - Previous day's price.

¶ - Guernsey gross.

◆ - Yield before Jersey tax.

† - Ex-subdivision. xd - Ex-dividend.

‡ - Only available to charitable bodies.

◇ - Yield column shows annualised rates of NAV increase

# LONDON STOCK EXCHANGE

MARKET REPORT

## Late buying leaves FT-SE 100 at session's high

By Steve Thompson, UK Stock Market Editor

It took some time to filter through to the marketplace, but London equities eventually responded to a much needed takeover bid, Wall Street's record close on Friday evening and another impressive performance by gilts.

By the close of business, the good news had finally persuaded marketmakers and, more importantly, the City's fund managers that there was still good value in UK equities.

The upshot was that the FT-SE 100 index recovered from an early bout of uncertainty to close a net 14.1 up at a session's high of 3,514.8.

The FT-SE Mid 250 index moved in tandem with the Footsie, ending 14 points up at 3,887.0, and was given a substantial fillip by the bid news in the recs, which provided four out of the top six performers in the Mid 250 performance table.

Senior marketmakers, always sceptical, said sentiment in the market had improved strongly late in the session. "There was a feeling that a bid in the recs had already been factored in. Later, however, the prospect of £1.6bn worth of cash coming back into the market did produce some new buying interest and the market was looking very strong at the close," was the view of one marketmaker.

Some of the super-optimists expect the Footsie to challenge the 3,600 level before the November 28 Budget, and continue to make progress afterwards. But the more cautious traders in the City remain wary about the potential for disappointing company reports and the prospects for more profits downgrades, which have been affecting share prices in recent months.

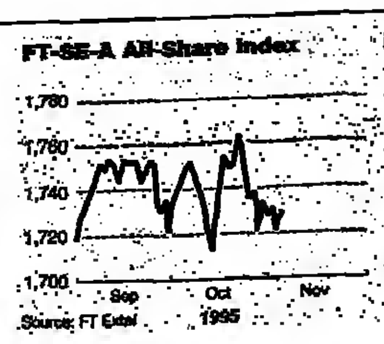
There was no real problem for the market in the day's economic news, which was broadly in line with expectations. Gilts made good progress ahead and after the numbers.

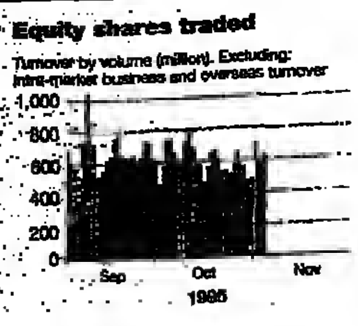
Wall Street's good performance on Friday, when the Dow Jones Industrial Average finished at a record high for the second consecutive trading session, plus the agreed £1.6bn bid for Seeboard by CSW, one of the Texas utilities seeking UK acquisitions, failed to produce any early strength in London. Analysts said the market was still reluctant to chase prices ahead of the November 28 Budget.

But with the Seeboard bid quickly followed by more good corporate news, including United Biscuits' sale of its US snacks business, plus good figures from British Airways and better than expected numbers from Associated British Foods, the market began to pick up. The FT-SE 100 moved into positive ground in mid-morning, backed off around midday amid worries that Wall Street could start under pressure, but then made rapid progress to close at the day's best level.

Dealers said today brings a long list of important trading statements, with no less than six Footsie companies reporting, including Allied Domecq, British Petroleum, BSkyB, Marks and Spencer and National Power. Some traders were nervous about M&S's interim results, given the bad news from J. Sainsbury and Boots last week.

Turnover at the 6pm count amounted to 657.8m shares, which included 114m in Seeboard and 23m in BET. Customer business on Friday was worth £1.8bn.




**Indices and ratios**

| | | |
|---|---|---|
| FT-SE 100 | 3514.8 | +14.4 |
| FT-SE Mid 250 | 3887.7 | +14.0 |
| FT-SE-A 350 | 1749.7 | +7.0 |
| FT-SE-A All-Share | 1728.27 | +6.29 |
| FT-SE-A All-Share yield | 3.87 | (3.89) |
| FT Ordinary index | 2572.8 | +7.9 |
| FT-SE-A Non Fins p/e | 16.57 | (16.46) |
| FT-SE 100 Fut Dec | 3537.0 | +27.0 |
| 10 yr Gilt yield | 7.85 | (7.90) |
| Long gilt/equity yld ratio: | 2.11 | (2.10) |

**Best performing sectors**

1. Tobacco ........ +2.5
2. Extractive Inds ........ +2.2
3. Pharmaceuticals ........ +2.1
4. Consumer Goods ........ +1.3
5. Food Producers ........ +1.2

**Worst performing sectors**

1. Gas Distribution ........ -1.9
2. Insurance ........ -1.4
3. Life Assurance ........ -0.9
4. Water ........ -0.6
5. Textiles & Apparel ........ -0.5

## Gas down on payout worries

British Gas fell to a three-year low, with the latest news on competition beginning to cause some nervousness over the security of the dividend.

Analysts said that the 14.5p dividend was well covered on most forecasts for this year, but that the near 8 per cent return was exceptionally high and reflected the company's financial problems. The shares slipped 4½ to 228½p, one of the worst performances among Footsie stocks.

One observer who preferred to remain anonymous because of the potential impact of any dividend reduction in one of the privatised utilities, which are bought for their income, said: "A yield this size is beginning to signal a dividend cut."

Amerada Hess, of the US, announced that, from April, it would supply gas 15 per cent cheaper than British Gas. BG also faces the immediate prospects of revealing third-quarter figures hit by warm weather and a writedown over its contracts problem, where it has guaranteed to pay above market prices for gas.

Ms Irene Himona of SGST commented: "On our forecast the dividend cover is reasonable. But in view of the overwhelming uncertainties, you could not definitely say it [a dividend cut] is out of the question."

Building materials group Caradon dropped to a new 1995 low, as rumours of broker profits downgrades ran round the market. The shares, which stood at 273p earlier this year, have been noticeably weak since September when the group announced poor interim results. They lost 4 at 185p.

Caradon is thought to have problems in US doors and windows, which account for some 50 per cent of group sales, while the recent news from its German division has been mostly downbeat. There was speculation among analysts yesterday that the group might be planning a trading update next month.

Bid speculation returned to food manufacturing group United Biscuits, after the company confirmed weekend press reports that it was selling its US cookie and cracker business for $500m.

There was talk in the market suggesting the sale now made United Biscuits more attractive to a predator. The speculation helped the shares firm 7 to 268p in heavy trading of 8.5m.

But Mr Carl Short at Strauss Turnbull said: "I am sceptical about anybody coming in with a bid at this stage. United Biscuits still has a number of problems to address."

Elsewhere on a busy day in the sector, the market cheered Associated British Foods after it said it planned a one-for-one bonus issue to make the tightly held stock more accessible to investors. The shares forged ahead 16 to 704p, with sentiment boosted by the release of better than expected full-year figures.

Bargain hunting in Dalgety, which fell sharply on Friday following a BZW downgrade, helped the shares bounce 8 to 409p. There was also a general feeling that Friday's slide among the food producers, on price war worries, had been overdone.

Agreed takeover details for Seeboard, one of the last six remaining independent regional electricity companies (recs), signalled an injection of £1.6bn into the London market.

Seeboard shares leapt 97 to 628p after CSW, the Dallas-based company that was thwarted in its bid for Norweb, offered 635p a share for Seeboard. UBS went straight into the market to buy some 58.7m shares at the bid price, representing 23.9 per cent of the Seeboard equity, for CSW.

The move was not a total surprise. It followed the trade and industry secretary's decision last week to clear North West Water's offer for Norweb without referring it to the Monopolies and Mergers Commission.

Afterwards, analysts were scouting around to match potential predators and targets. Other US aggressors were said to be waiting in the wings following their failure to capture an Australian utility. But one specialist pointed out that funds who sold their stakes to bidders would leave themselves underweight in a sector which is to grow in prominence when the National Grid is floated.

The other independent recs, East Midlands, London, Northern, South Wales and Yorkshire, all rose sharply.

Sun Alliance lost 11 at 366p in reaction to an announcement by Halifax, the building society, that it intends to start offering direct insurance from next year.

SA, principal supplier of housing insurance to the Halifax, has been aware of the need to diversify for some time. So has Royal Insurance, sole supplier to the Leeds Building Society which was taken over by the Halifax. However, the news was another salutary reminder of the competition within the industry. Royal, with third-quarter figures due this week, slid 7 to 381p.

Glaxo Wellcome recovered ground lost on Friday, as the market was reassured about tax liability worries and anticipated a key US drug approval. The shares rallied 20 to 871p.

Pharmaceuticals company Zeneca hit a new closing high on a squeeze resulting from a stock shortage. The shares also benefited ahead of an expected research presentation by Zeneca on December 12 and talk of a trading chart breakout. The stock moved forward 26 to 1208p.

Telecoms giant BT continued to trade nervously in the run-up to Thursday's interim results, racking up turnover of 10m and shedding a further 4 to 366p for a two-day decline of more than 3 per cent.

NatWest Securities added its voice to the bearish arguments, suggesting that the shares faced several years of reliance on their yield and are possibly 10 per cent overvalued as a result.

The broker expects dividend growth for this year to slow to 5.1 per cent (from 6 per cent in 1994-95 and 7 per cent the year before) and pinpoints 350p as a fairer level for the shares in relation to other high yielding stocks.

However, there were no downgrades among the bigger brokers yesterday and most analysts remain positive on the shares, which up to Friday's close had outpaced the market by 3 per cent over the past month.

The next diary date for BA looks to be November 13, when United Airlines – in takeover talks with BA associate USAir – holds a board meeting.

There was nervous trading in Allied Domecq ahead of today's final figures. The shares softened 1½ to 493p, with several analysts suggesting current year profits estimates may have to be cut back following the figures.

Body Shop was one of the day's best performers in the FT-SE Mid-250 index. The shares gained 7 at 143p on talk that Anita and Gordon Roddick, the company's founders, still planned to take Body Shop private.

Chemicals group Hickson International fell 12 to 87p after a profits warning.

Merrill Lynch moved from "hold" to "buy" on Rolls-Royce and the shares rebounded 5½ to 156p in 2.8m traded.

**MARKET REPORTERS:**
Peter John,
Joel Kibazo,
Jeffrey Brown.

### FINANCIAL TIMES EQUITY INDICES

| | Nov 6 | Nov 3 | Nov 2 | Nov 1 | Oct 31 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2572.8 | 2564.9 | 2577.7 | 2578.8 | 2589.5 | 2346.2 | 2666.5 | 2238.3 |
| Ord. div. yield | 4.12 | 4.14 | 4.12 | 4.13 | 4.11 | 4.40 | 4.73 | 4.02 |
| P/E ratio net | 15.51 | 15.43 | 15.52 | 15.51 | 15.57 | 15.23 | 21.33 | 15.35 |
| P/E ratio nil | 15.32 | 15.25 | 15.34 | 15.32 | 15.38 | 17.79 | 22.21 | 15.17 |

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 13.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2567.0 | 2560.9 | 2567.8 | 2560.8 | 2562.6 | 2564.2 | 2564.3 | 2563.8 | 2571.9 | 2573.4 | 2560.2 |

| | Nov 6 | Nov 3 | Nov 2 | Nov 1 | Oct 31 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 29,533 | 28,579 | 26,147 | 24,478 | 24,888 | 21,785 |
| Equity turnover (£m)† | - | 1805.8 | 1542.4 | 1692.3 | 1182.4 | 1063.7 |
| Equity bargains† | - | 31,302 | 30,836 | 30,058 | 29,353 | 24,322 |
| Shares traded (mil)† | - | 830.6 | 593.8 | 661.1 | 486.5 | 398.8 |

†Excluding intra-market business and overseas turnover.

### London market data

| Rises and falls* | | 1995 Highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 556 | Total Highs | 74 | Total contracts | 25,837 |
| Total Falls | 659 | Total Lows | 60 | Calls | 8,922 |
| Same | 1,681 | | | Puts | 16,915 |

Nov 6 *Data based on Equity shares listed on the London Share Service.



### FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 3513.0 | 3537.0 | +27.0 | 3542.0 | 3501.0 | 8502 | 64376 |
| Mar | - | 3564.0 | +27.0 | - | - | 0 | 4128 |
| Jun | - | 3569.0 | +27.0 | - | - | 0 | 134 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | - | 3910.0 | +10.0 | - | - | 0 | 3537 |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3514) £10 per full index point

| | 3350 C | 3350 P | 3400 C | 3400 P | 3450 C | 3450 P | 3500 C | 3500 P | 3550 C | 3550 P | 3600 C | 3600 P | 3650 C | 3650 P | 3700 C | 3700 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nov | 180 | 3 | 133 | 5 | 88½ | 10 | 50 | 23 | 23½ | 49 | 5 | 88 | 1½ | 136 | 1 | 188 |
| Dec | 204 | 15½ | 162 | 23½ | 124½ | 37 | 89½ | 54 | 60 | 77 | 38 | 106½ | 23 | 144 | 12½ | 183½ |
| Jan | 224 | 28 | 186½ | 40½ | 149 | 54 | 119 | 74 | 89½ | 96½ | 68 | 125½ | 48½ | 158½ | 34½ | 197½ |
| Feb | 264½ | 38 | 206½ | 49½ | 171 | 64½ | 141 | 84½ | 111 | 106 | 89 | 134½ | 68½ | 165 | 57 | 202½ |
| Jun† | | | 256 | 97½ | | | 192½ | 133 | | | 141 | 181 | | | 87½ | 238½ |

Calls 2,080 Puts 6,476

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3375 C | 3375 P | 3425 C | 3425 P | 3475 C | 3475 P | 3525 C | 3525 P | 3575 C | 3575 P | 3625 C | 3625 P | 3675 C | 3675 P | 3725 C | 3725 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nov | 154½ | 2 | 108 | 5½ | 66 | 13½ | 23½ | 30½ | 13 | 60 | 4 | 100½ | 1 | 147½ | 1 | 196½ |
| Dec | 180½ | 19½ | 139½ | 28 | 103 | 41½ | 72 | 60 | 46½ | 84 | 27 | 114½ | 14½ | 151½ | 7 | 194 |
| Jan | 205 | 34½ | 167 | 45½ | 132 | 60 | 101 | 78½ | 75 | 101½ | 53½ | 129½ | 38 | 161½ | 23½ | 198 |
| Mar | | | 202 | 66½ | | | 137 | 99 | | | 85½ | 145 | | | 50½ | 207½ |
| Jun† | | | 236 | 98½ | | | 178½ | 136½ | | | 128½ | 182 | | | 67 | 236 |

Calls 1,381 Puts 836 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1995 High | 1995 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 32.2 | 93 | 92 | Abtrust Asian Smlr | 92 | | - | - | - | - |
| - | F.P. | 2.27 | 33 | 32 | Do Warrants | 32½ | | - | - | - | - |
| | F.P. | - | 17 | 17 | †Alpha Omikron | 17 | | - | - | - | - |
| - | F.P. | 2.13 | 10 | 9 | †Arlon Props | 8 | | [illegible] | - | - | - |
| - | F.P. | 4.50 | 50 | 50 | †Chartwell Intl | [illegible] | | | | | |
| 50 | F.P. | 14.5 | 71 | 50 | Consolidated Coal | [illegible] | | | | | |
| - | F.P. | 37.4 | 139 | 102 | †Cross Intl | [illegible] | | | | | |
| 145 | F.P. | 80.5 | 151 | 149 | Enterprise Inns | [illegible] | | W6.4 | - | 5.4 | 10.4 |
| - | F.P. | 42.4 | 102 | 100 | Fleming Jpn C | [illegible] | | | | | |
| - | F.P. | 0.56 | 28 | 17 | German Sml Wts | [illegible] | | | | | |
| - | F.P. | 94.0 | 95 | 92 | Guinness Flight | [illegible] | | | | | |
| - | F.P. | 195.0 | 195 | 193 | Do Units | [illegible] | | | | | |
| - | F.P. | 2.20 | 19 | 10 | Do Warrants | [illegible] | | | | | |
| - | F.P. | 5.55 | 40 | 25 | Hay & Robertson | [illegible] | | | | | |
| 125 | F.P. | 27.1 | 151 | 128 | Heritage Bath | [illegible] | | | | | |
| - | F.P. | 11.4 | 119 | 112 | †Indpt Radio | [illegible] | | | | | |
| - | F.P. | 22.0 | 543 | 488 | †Intl Greetings | [illegible] | | | | | |
| 45 | F.P. | 17.6 | 61 | 52 | †MultiMedia | [illegible] | | | | | |
| - | F.P. | 18.9 | 105 | 100 | Murray Vct | [illegible] | | | | | |
| - | F.P. | 14.7 | 101 | 98 | Northern Venture | [illegible] | | | | | |
| 100 | F.P. | 25.5 | 102 | 101 | Perpetual UK Smlr | [illegible] | | | | | |
| 400 | F.P. | 3.62 | 400 | 400 | †Preston Nth End | [illegible] | | | | | |

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

### FT GOLD MINES INDEX

| | Nov 3 | % chg on day | Nov 2 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (34) | 1772.23 | +0.5 | 1763.57 | 2124.23 | 2.03 | - | 2127.58 | 1637.91 |
| ■ Regional Indices | | | | | | | | |
| Africa (16) | 2338.68 | +0.6 | 2320.17 | 3462.28 | 4.36 | 20.26 | 3503.35 | 2272.74 |
| Australasia (6) | 2174.34 | +1.5 | 2142.76 | 2726.53 | 2.32 | 24.00 | 2733.58 | 1786.20 |
| North America (12) | 1557.86 | +0.2 | 1553.86 | 1631.33 | 0.86 | 44.70 | 1831.00 | 1346.18 |

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### FT - SE Actuaries Share Indices — The UK Series

| | Nov 6 | Day's chge% | Nov 3 | Nov 2 | Nov 1 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3514.8 | +0.4 | 3500.4 | 3523.0 | 3516.7 | 3065.6 | 4.02 | 2.08 | 14.91 | 126.81 | 1394.74 |
| FT-SE Mid 250 | 3887.7 | +0.4 | 3873.7 | 3886.8 | 3888.5 | 3520.1 | 3.52 | 1.85 | 19.27 | 124.07 | 1515.32 |
| FT-SE Mid 250 ex Inv Trusts | 3907.4 | +0.4 | 3891.8 | 3905.9 | 3909.5 | 3522.3 | 3.55 | 1.90 | 17.98 | 129.75 | 1523.00 |
| FT-SE-A 350 | 1749.7 | +0.4 | 1742.7 | 1752.8 | 1751.3 | 1539.2 | 3.91 | 2.04 | 15.70 | 61.49 | 1418.31 |
| FT-SE-A 350 Higher Yield | 1746.8 | +0.2 | 1742.9 | 1755.4 | 1750.2 | 1544.5 | 4.96 | 1.82 | 13.82 | 77.50 | 1175.56 |
| FT-SE-A 350 Lower Yield | 1757.1 | +0.6 | 1746.8 | 1754.5 | 1756.9 | 1494.5 | 2.82 | 2.42 | 18.28 | 44.16 | 1190.24 |
| FT-SE SmallCap | 1937.25 | -0.1 | 1939.29 | 1936.23 | 1934.86 | 1778.71 | 3.36 | 1.66 | 22.39 | 55.24 | 1560.87 |
| FT-SE SmallCap ex Inv Trusts | 1922.75 | -0.1 | 1924.86 | 1921.24 | 1921.07 | 1748.88 | 3.56 | 1.73 | 20.12 | 58.16 | 1557.24 |
| FT-SE-A ALL-SHARE | 1728.27 | +0.4 | 1721.98 | 1730.99 | 1729.55 | 1525.18 | 3.87 | 2.01 | 16.05 | 59.85 | 1424.88 |

■ FT-SE Actuaries All-Share

| | Nov 6 | Day's chge% | Nov 3 | Nov 2 | Nov 1 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(23) | 2890.51 | +0.7 | 2869.67 | 2877.87 | 2899.18 | 2885.65 | 3.90 | 2.08 | 15.37 | 105.02 | 1211.46 |
| 12 Extractive Industries(7) | 4160.85 | +2.2 | 4072.84 | 4056.92 | 4017.98 | 3791.54 | 3.55 | 2.51 | 14.00 | 143.77 | 1193.01 |
| 15 Oil, Integrated(3) | 2868.14 | +0.5 | 2853.81 | 2859.93 | 2900.33 | 2656.76 | 4.09 | 2.04 | 15.01 | 107.92 | 1230.74 |
| 18 Oil Exploration & Prod(13) | 1867.95 | -0.3 | 1874.16 | 1881.33 | 1879.97 | 1876.86 | 2.69 | 1.49 | 31.27 | 48.88 | 1108.75 |
| 20 GEN INDUSTRIALS(278) | 1930.62 | +0.1 | 1928.80 | 1937.29 | 1934.70 | 1855.96 | 4.27 | 1.84 | 15.89 | 72.20 | 1081.25 |
| 21 Building & Construction(38) | 897.97 | -0.1 | 898.59 | 903.92 | 899.51 | 1045.50 | 4.54 | 1.94 | 14.20 | 37.56 | 737.77 |
| 22 Building Matls & Merchs(31) | 1669.76 | -0.1 | 1671.96 | 1677.34 | 1666.98 | 1819.93 | 4.47 | 2.06 | 13.58 | 67.09 | 825.62 |
| 23 Chemicals(23) | 2392.34 | +0.1 | 2389.36 | 2408.39 | 2407.62 | 2276.55 | 4.03 | 1.89 | 16.43 | 80.65 | 1107.00 |
| 24 Diversified Industrials(20) | 1756.03 | +0.2 | 1751.95 | 1751.79 | 1749.99 | 1759.02 | 5.65 | 1.57 | 14.13 | 87.22 | 854.18 |
| 25 Electronic & Elect Equip(36) | 2107.72 | +0.3 | 2101.15 | 2107.05 | 2096.65 | 1676.44 | 3.55 | 1.98 | 17.77 | 51.70 | 1074.15 |
| 26 Engineering(69) | 2114.23 | +0.3 | 2107.59 | 2129.79 | 2130.26 | 1794.28 | 3.46 | 1.99 | 18.15 | 64.31 | 1259.71 |
| 27 Engineering, Vehicles(13) | 2524.55 | -0.5 | 2536.16 | 2542.93 | 2537.87 | 2272.07 | 3.71 | 1.17 | 28.86 | 93.15 | 1285.39 |
| 28 Paper, Pckg & Printing(27) | 2883.31 | -0.2 | 2890.37 | 2888.94 | 2897.98 | 2782.04 | 3.46 | 2.49 | 14.51 | 88.58 | 1177.30 |
| 29 Textiles & Apparel(21) | 1462.17 | -0.5 | 1469.84 | 1483.06 | 1499.57 | 1550.30 | 4.92 | 1.79 | 14.22 | 54.81 | 866.58 |
| 30 CONSUMER GOODS(91) | 3484.27 | +1.3 | 3420.77 | 3468.65 | 3453.52 | 2723.26 | 3.96 | 1.82 | 17.70 | 119.91 | 1251.85 |
| 31 Breweries(18) | 2627.32 | -0.3 | 2635.96 | 2651.66 | 2638.56 | 2244.83 | 3.80 | 1.98 | 16.57 | 62.79 | 1229.00 |
| 32 Spirits, Wines & Ciders(10) | 2877.96 | +0.1 | 2876.00 | 2899.46 | 2895.58 | 2805.52 | 4.15 | 1.84 | 16.32 | 107.13 | 1012.01 |
| 33 Food Producers(24) | 2459.43 | +1.2 | 2430.44 | 2477.66 | 2486.83 | 2284.64 | 4.06 | 1.83 | 16.85 | 85.49 | 1083.95 |
| 34 Household Goods(11) | 2568.66 | +1.2 | 2538.47 | 2603.82 | 2608.53 | 2396.83 | 3.72 | 2.20 | 15.24 | 88.72 | 963.58 |
| 35 Health Care(17) | 1930.71 | -0.5 | 1939.76 | 1950.83 | 1953.56 | 1605.26 | 2.70 | 1.83 | 25.37 | 45.10 | 1158.03 |
| 37 Pharmaceuticals(10) | 4796.13 | +2.1 | 4697.22 | 4781.28 | 4754.64 | 2994.50 | 3.44 | 1.70 | 21.84 | 153.87 | 1599.18 |
| 38 Tobacco(1) | 4561.57 | +2.5 | 4451.45 | 4465.33 | 4387.92 | 3519.89 | 5.26 | 1.90 | 12.54 | 229.23 | 1103.58 |
| 40 SERVICES(228) | 2121.86 | +0.5 | 2110.55 | 2117.56 | 2131.31 | 1895.32 | 3.18 | 2.04 | 19.37 | 60.00 | 1083.31 |
| 41 Distributors(30) | 2624.79 | +0.8 | 2604.28 | 2615.63 | 2618.84 | 2531.66 | 3.79 | 1.77 | 18.66 | 90.79 | 951.28 |
| 42 Leisure & Hotels(29) | 2479.55 | +0.3 | 2472.18 | 2478.93 | 2470.71 | 2021.22 | 3.23 | 1.84 | 20.97 | 73.87 | 1270.10 |
| 43 Media(43) | 3368.36 | +0.7 | 3345.07 | 3358.70 | 3358.97 | 2841.08 | 2.16 | 2.40 | 24.11 | 78.06 | 1204.31 |
| 44 Retailers, Food(16) | 1909.92 | +0.5 | 1900.01 | 1916.64 | 1893.15 | 1722.36 | 3.79 | 2.40 | 13.71 | 58.65 | 1187.35 |
| 45 Retailers, General(44) | 1736.50 | +1.1 | 1718.07 | 1727.07 | 1750.69 | 1614.25 | 3.38 | 2.10 | 17.56 | 50.38 | 973.92 |
| 48 Support Services(37) | 1830.53 | -0.3 | 1836.35 | 1838.15 | 1830.70 | 1511.82 | 2.52 | 2.41 | 20.64 | 38.97 | 1148.40 |
| 49 Transport(20) | 2213.45 | -0.3 | 2220.17 | 2207.16 | 2187.96 | 2222.59 | 3.91 | 1.29 | 24.92 | 74.52 | 904.09 |
| 51 Other Services & Business(7) | 1183.85 | ---- | 1183.42 | 1176.46 | 1175.66 | 1253.32 | 4.37 | 1.40 | 20.35 | 43.10 | 1064.19 |
| 60 UTILITIES(36) | 2480.96 | +0.1 | 2478.34 | 2496.91 | 2485.17 | 2425.89 | 4.61 | 2.01 | 13.53 | 96.36 | 1013.96 |
| 62 Electricity(14) | 2836.69 | +1.2 | 2804.07 | 2798.86 | 2794.05 | 2554.46 | 3.93 | 2.92 | 10.91 | 116.18 | 1262.20 |
| 64 Gas Distribution(2) | 1525.25 | -1.9 | 1554.04 | 1573.23 | 1570.04 | 1941.49 | 7.86 | 0.65 | 24.53 | 118.92 | 765.24 |
| 66 Telecommunications(7) | 2070.21 | +0.1 | 2068.44 | 2089.37 | 2071.90 | 2020.90 | 3.96 | 1.71 | 18.47 | 51.48 | 820.76 |
| 68 Water(13) | 2020.58 | -0.6 | 2032.59 | 2063.23 | 2061.31 | 1889.42 | 5.71 | 2.74 | 7.86 | 81.87 | 1077.68 |
| 69 NON-FINANCIALS(654) | 1830.08 | +0.5 | 1819.81 | 1832.16 | 1832.78 | 1645.16 | 3.80 | 1.93 | 16.57 | 63.28 | 1355.32 |
| 70 FINANCIALS(113) | 2732.99 | -0.5 | 2745.43 | 2743.36 | 2726.39 | 2160.96 | 4.07 | 2.45 | 12.63 | 103.85 | 1141.25 |
| 71 Banks, Retail(9) | 3812.75 | -0.3 | 3825.14 | 3810.56 | 3779.92 | 2873.04 | 3.81 | 2.81 | 11.64 | 140.61 | 1202.54 |
| 72 Banks, Merchant(6) | 3589.63 | +0.1 | 3584.80 | 3569.01 | 3599.32 | 2700.48 | 2.58 | 2.74 | 17.65 | 91.76 | 1121.15 |
| 73 Insurance(25) | 1370.26 | -1.4 | 1389.77 | 1393.54 | 1381.37 | 1256.65 | 5.38 | 2.69 | 8.65 | 72.25 | 1003.33 |
| 74 Life Assurance(6) | 3280.07 | -0.9 | 3310.66 | 3339.79 | 3348.92 | 2380.47 | 4.25 | 1.53 | 19.16 | 136.72 | 1336.30 |
| 77 Other Financial(22) | 2411.42 | +0.1 | 2408.54 | 2401.15 | 2386.99 | 1625.29 | 3.66 | 1.94 | 17.56 | 62.49 | 1343.32 |
| 79 Property(45) | 1366.40 | +0.1 | 1367.86 | 1374.53 | 1377.07 | 1448.07 | 4.53 | 1.33 | 20.71 | 47.10 | 819.31 |
| 80 INVESTMENT TRUSTS(133) | 2908.82 | ---- | 2908.17 | 2909.99 | 2898.25 | 2715.69 | 2.26 | 1.07 | 51.72 | 55.89 | 1002.97 |
| 89 FT-SE-A ALL-SHARE(900) | 1728.27 | +0.4 | 1721.98 | 1730.99 | 1729.55 | 1525.18 | 3.87 | 2.01 | 16.05 | 59.85 | 1424.88 |
| FT-SE-A Fledgling | 1078.30 | +0.1 | 1079.23 | 1077.11 | 1073.40 | - | 2.83 | 1.28 | 34.54 | 28.27 | 1109.87 |
| FT-SE-A Fledgling ex Inv Trusts | 1078.17 | +0.1 | 1079.76 | 1077.30 | 1073.49 | - | 2.97 | 1.34 | 31.50 | 28.20 | 1108.82 |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3500.9 | 3493.2 | 3505.1 | 3496.9 | 3500.2 | 3503.3 | 3503.4 | 3502.1 | 3514.3 | 3514.9 | 3493.0 |
| FT-SE Mid 250 | 3882.2 | 3880.3 | 3883.2 | 3881.8 | 3882.4 | 3883.9 | 3884.3 | 3883.8 | 3887.4 | 3888.0 | 3879.3 |
| FT-SE-A 350 | 1743.8 | 1740.8 | 1745.5 | 1741.8 | 1743.5 | 1744.9 | 1744.8 | 1744.4 | 1749.5 | 1749.7 | 1740.4 |

Time of FT-SE 100 Day's high: 4.24pm Day's low: 8.56am. FT-SE 100 1994 High: 3583.0(10/10) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | 883.5 | 883.5 | 885.6 | 885.6 | 884.5 | 884.5 | 884.8 | 884.9 | 886.0 | 886.0 | 883.8 | +2.2 |
| Pharmaceuticls | 4664.9 | 4678.7 | 4717.4 | 4708.8 | 4717.2 | 4716.1 | 4715.8 | 4709.2 | 4736.3 | 4741.8 | 4643.5 | +98.3 |
| Water | 2027.1 | 2020.2 | 2015.7 | 2018.3 | 2018.3 | 2018.3 | 2016.1 | 2017.3 | 2014.7 | 2014.9 | 2027.1 | -12.2 |
| Banks, Retail | 3865.8 | 3856.0 | 3861.0 | 3850.9 | 3851.3 | 3853.9 | 3854.7 | 3864.9 | 3861.7 | 3861.4 | 3874.0 | -12.6 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. [illegible]

### TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| 3i† | 820 | 414 | +2 |
| ASDA Group† | 6,700 | 98¼ | +1 |
| Abbey National† | 1,400 | 533 | -3 |
| Albert Fisher | 884 | 47 | [illegible] |
| Allied Domecq† | 2,600 | 493 | -1½ |
| Anglian Water | 264 | 565 | |
| Argos | 430 | 523 | +16 |
| Argyll Group† | 1,700 | 305 | +6 |
| Arjo Wiggins† | 660 | 231 | -3 |
| Assoc. Brit. Foods† | 832 | 704 | +16 |
| Assoc. Brit. Ports | 278 | 229 | -5 |
| BAA† | 1,800 | 499 | +3 |
| BAT Inds.† | 1,700 | 559 | +13 |
| BET | 23,000 | 130½ | +½ |
| BICC | 141 | 254 | |
| BOC† | 557 | 872 | +5 |
| BP† | 4,800 | 469 | +3 |
| BPB Inds. | 1,500 | 290 | +8 |
| BSkyB† | 4,200 | 370 | +4 |
| BT† | 10,000 | 366 | -4 |
| BTR† | 7,700 | 333 | -2 |
| Bank of Scotland† | 611 | 249 | -2 |
| Barclays† | 2,700 | 754½ | +4½ |
| Bass† | 431 | 660 | -3 |
| Blue Circle† | 685 | 297 | +3 |
| Booker | 67 | 363 | +3 |
| Boots† | 648 | 550 | +14 |
| Brit. Aerospace† | 2,200 | 714 | +1 |
| British Airways† | 4,800 | 466 | -8 |
| British Gas† | 8,900 | 228½ | -4½ |
| British Land | 1,300 | 365 | +3 |
| British Steel† | 13,000 | 155½ | +2½ |
| Bunzl | 403 | 200 | +½ |
| Burmah Castrol† | 2,300 | 968 | -2 |
| Burton | 2,000 | 100½ | +2½ |
| Cable & Wire† | 4,000 | 429 | +6 |
| Cadbury Schweppes† | 3,200 | 524½ | +6½ |
| Caradon | 3,800 | 185 | -4 |
| Carlton Comms.† | 535 | 850 | +1 |
| Coats Viyella | 722 | 181 | +1 |
| Comm. Union† | 899 | 605 | -9 |
| Compass | 697 | 439 | |
| Cookson† | 3,000 | 298 | +4½ |
| Courtaulds† | 903 | 365 | -1 |
| Dalgety | 1,000 | 409 | +8 |
| Daniel | 106 | 632 | +3 |
| De La Rue† | 366 | 821 | +4 |
| Dixons | 1,400 | 367½ | +1½ |
| East Midland Elect. | 2,000 | 919 | +24 |
| Electrocomps | 472 | 327 | +3 |
| Eng China Clays | 314 | 352 | +7 |
| Enterprise Oil† | 174 | 338 | -1 |
| Eurotunnel Units | 253 | 93 | |
| FKI | 1,600 | 157 | -2 |
| Fisons | 39 | 264 | |
| Foreign & Col. I.T. | 545 | 149 | +¼ |
| Forte† | 608 | 255 | |
| Gen. Accident† | 847 | 646 | -10 |
| General Elect.† | 3,700 | 315½ | +1 |
| Glaxo Wellcome† | 6,000 | 871 | +20 |
| Glynwed | 375 | 317 | -6 |
| Granada† | 5,100 | 650 | -3 |
| Grand Met.† | 5,100 | 433 | +1 |
| GUS† | 1,600 | 566 | +9 |
| GRE† | 3,700 | 235 | -1 |
| GKN† | 741 | 799 | -3 |
| Guinness† | 956 | 509 | +1 |
| HSBC (75p shs)† | 852 | 934 | -9 |
| Hammerson | 13 | 336 | -3 |
| Hanson† | 5,600 | 192½ | +¼ |
| Harrisons Crosfield | 1,700 | 149 | +2 |
| Hays | 1,000 | 367 | -1½ |
| Hillsdown | 4,000 | 160 | +8¼ |
| IMI | 324 | 322 | -6 |
| ICI† | 683 | 775 | -6 |
| Inchcape† | 1,200 | 302 | +5 |
| Johnson Matthey | 32 | 607 | |
| Kingfisher† | 1,800 | 470 | |
| Kwik Save | 869 | 601 | +1 |
| Ladbroke† | 3,000 | 155 | +1 |
| Land Securities† | 822 | 580 | |
| Laporte | 332 | 837 | -2 |
| Legal & General† | 802 | 563 | -7 |
| Lloyds Abbey | 164 | 456 | -1 |
| Lloyds Bank† | 2,900 | 797½ | +2½ |
| LASMO† | 1,000 | 150 | -1 |
| London Elect.† | 1,800 | 923 | +17 |
| Lonrho | 1,700 | 159½ | +½ |
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. [illegible]

هكذا من الأصل



# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Nov 6 / Sch)

BELGIUM/LUXEMBOURG (Nov 6 / Frs.)

CZECH REP (Nov 6 / Koruna)

DENMARK (Nov 6 / Kr)

FINLAND (Nov 6 / Mka)

FRANCE (Nov 6 / Frs.)

GREECE (Nov 6 / Drachma)

ITALY (Nov 6 / Lira)

GERMANY (Nov 6 / Dm.)

NORWAY (Nov 6 / Kroner)

POLAND (Nov 6 / Zloty)

PORTUGAL (Nov 6 / Escudo)

SPAIN (Nov 6 / Pta.)

NETHERLANDS (Nov 6 / Fl.)

SWEDEN (Nov 6 / Kronor)

SWITZERLAND (Nov 6 / Frs.)

TURKEY (Nov 6 / Tk Lira)



## PACIFIC

JAPAN (Nov 6 / Yen)

HONG KONG (Nov 6 / H.K.$)

INDONESIA (Nov 6 / Rupiah)

MALAYSIA (Nov 6 / MYR)

NEW ZEALAND (Nov 6 / NZ $)

SINGAPORE (Nov 6 / S$)

AUSTRALIA (Nov 6 / Aust$)

SOUTH KOREA (Nov 6 / Won)

TAIWAN (Nov 6 / TW $)

THAILAND (Nov 6 / Baht)

## AFRICA

SOUTH AFRICA (Nov 6 / Rand)

## NORTH AMERICA

CANADA

MONTREAL (Nov 6 / Can $)
4 pm close

TORONTO (Nov 6 / Can $)
4 pm close

## INDICES

| | Nov 6 | Nov 3 | Nov 2 | 1995 High | | 1995 Low | |
|---|---|---|---|---|---|---|---|
| **India** | | | | | | | |
| BSE Sens.(1979) | 3425.86 | 3469.40 | 3461.35 | 3932.09 | 2/1 | 3015.87 | 2/5 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 489.02 | 488.32 | 486.48 | 519.18 | 11/8 | 414.21 | 19/4 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 2128.23 | 2126.16 | 2118.79 | 2170.73 | 15/9 | 1813.59 | 23/1 |
| **Italy** | | | | | | | |
| Banca Comm. Ital (1972) | 578.29 | 589.45 | 589.86 | 688.54 | 10/2 | 565.09 | 23/16 |
| MIB General (2/1/95) | 915.0 | 931.0 | 932.0 | 1078.00 | 10/2 | 877.00 | 23/16 |
| **Japan** | | | | | | | |
| Nikkei 225 (16/5/49) | 18036.97 | (c) | 18025.80 | 19684.04 | 4/1 | 14485.41 | 3/7 |
| Nikkei 300 (1/10/82) | 268.63 | (c) | 269.08 | 289.16 | 4/1 | 222.28 | 13/6 |
| **Thailand** | | | | | | | |
| Bangkok SET (30/4/75) | 1228.91 | 1244.80 | 1244.32 | 1472.94 | 10/7 | 1195.88 | 16/8 |
| **Turkey** | | | | | | | |
| Istanbul Comp.(Jan 1986) | 43632.2 | 44028.3 | 45767.5 | 54693.99 | 21/4 | 24644.38 | 23/1 |
| **WORLD** | | | | | | | |
| MS Capital Int (1/1/70)§ | 687.5* | 687.1 | 686.0 | 703.80 | 28/9 | 588.21 | 23/1 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 1403.25 | 1415.18 | 1409.91 | 1488.86 | 15/9 | 1222.41 | 13/3 |
| Euro Top-100 (26/6/90) | 1274.44 | 1281.23 | 1278.29 | 1318.86 | 15/9 | 1117.34 | 9/3 |
| JCapsDrgns (31/12/88) | (u) | 328.12 | 328.17 | 349.47 | 14/7 | 282.07 | 23/1 |
| Barings Emerg.(7/1/92) | 140.00 | 139.22 | 139.38 | 158.07 | 2/1 | 117.15 | 10/3 |

## US INDICES

| Dow Jones | Nov 3 | Nov 2 | Nov 1 | 1995 High | 1995 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 4825.57 | 4808.59 | 4765.68 | 4825.57 (3/11) | 3832.08 (30/1) | 4825.57 (3/11/95) | 41.22 (2/7/32) |
| Home Bonds | 103.96 | 103.99 | 103.88 | 104.04 (16/10) | 93.63 (3/1) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1990.95 | 1985.44 | 1924.88 | 2000.38 (18/9) | 1473.19 (3/1) | 2000.38 (18/9/95) | 12.32 (8/7/32) |
| Utilities | 216.81 | 216.72 | 216.39 | 219.86 (25/10) | 183.08 (3/1) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 4859.81 (4833.16 ) Low 4774.83 (4745.00 ) (Theoretical♦)
Day's high 4825.93 (4808.89 ) Low 4802.81 (4767.04 ) (Actual♦)

| Standard and Poors | Nov 3 | Nov 2 | Nov 1 | 1995 High | 1995 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 590.57 | 589.72 | 584.22 | 590.65 (19/10) | 459.11 (3/1) | 590.65 (19/10/95) | 4.40 (1/6/32) |
| Industrials¶ | 693.52 | 691.60 | 685.65 | 693.52 (3/11) | 546.28 (3/1) | 693.52 (3/11/95) | 3.62 (21/6/32) |
| Financial | 59.21 | 59.36 | 58.50 | 61.30 (18/10) | 41.64 (3/1) | 61.30 (18/10/95) | 8.64 (1/10/74) |
| NYSE Comp. | 314.27 | 313.59 | 311.02 | 315.30 (19/10) | 250.73 (3/1) | 315.30 (19/10/95) | 4.46 (25/4/42) |
| Amex Mkt Val | 529.11 | 528.04 | 522.64 | 553.88 (12/9) | 433.12 (6/1) | 553.88 (12/9/95) | 29.31 (9/12/72) |
| NASDAQ Cmp | 1085.66 | 1057.32 | 1040.50 | 1067.40 (13/9) | 743.58 (3/1) | 1067.40 (13/9/95) | 54.87 (31/10/72) |

■ RATIOS

| | Nov 3 | Oct 27 | Oct 20 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.41 | 2.48 | 2.42 | 2.78 |
| | Nov 1 | Oct 25 | Oct 18 | Year ago |
| S & P Ind. Div. yield | 2.07 | 2.08 | 2.10 | 2.58 |
| S & P Ind. P/E ratio | 17.99 | 17.95 | 17.88 | 20.82 |

■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| EMC | 10,114,100 | 18½ | +2⅝ |
| K-Mart | 8,755,200 | 9⅝ | — |
| Micron Tech | 5,081,800 | 68 | +1 |
| US West | 5,027,500 | 29⅞ | +⅛ |
| Ford Motor | 4,281,200 | 28¼ | -⅛ |
| Telefonica | 3,488,000 | 27⅛ | -⅛ |
| IBM | 3,243,400 | 101½ | +2⅛ |
| Silicon Graph | 3,099,400 | 36¼ | -4 |
| Baker Hughes | 2,849,700 | 19¼ | +⅛ |
| Pharm Upjohn | 2,806,600 | 35½ | — |

■ TRADING ACTIVITY

● Volume (million)

| | Nov 3 | Nov 2 | Nov 1 |
|---|---|---|---|
| New York SE | 344.355 | 367.295 | 352.680 |
| Amex | 18.908 | 22.143 | 13.927 |
| NASDAQ | 464.402 | 520.939 | 448.222 |
| **NYSE** | | | |
| Issues Traded | 3,061 | 3,056 | 3,035 |
| Rises | 1,280 | 1,606 | 1,326 |
| Falls | 939 | 745 | 930 |
| Unchanged | 842 | 705 | 779 |
| New Highs | 131 | 139 | 70 |
| New Lows | 25 | 22 | 37 |

## INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| ■ CAC-40 (200 x Index) | | | | | | | |
| Nov | 1837.0 | 1835.0 | -7.0 | 1838.0 | 1819.0 | 11,478 | 27,552 |
| Dec | 1848.0 | 1845.0 | -7.0 | 1848.0 | 1831.0 | 816 | 19,557 |
| ■ DAX | | | | | | | |
| Dec | 2179.5 | 2177.5 | -1.5 | 2187.5 | 2167.0 | 12,048 | 103,208 |
| Mar | 2199.5 | 2199.5 | -3.0 | 2209.5 | 2189.5 | 535 | 7,065 |
| ■ OMX | | | | | | | |
| Nov | 1368.00 | 1344.00 | -22.00 | 1378.00 | 1344.00 | 3,868 | 15,764 |
| Dec | 1379.00 | 1354.50 | -9.25 | 1386.25 | 1354.50 | 84 | 70 |
| ■ SOFFEX | | | | | | | |
| Nov | 3133.0 | 3127.5 | -9.5 | 3157.0 | 3126.0 | 5,965 | 15,263 |
| Dec | 3154.0 | 3131.0 | -1.0 | 3158.0 | 3135.0 | 100 | 1,731 |

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| ■ S&P 500 | | | | | | | |
| Dec | 592.30 | 591.00 | -1.50 | 592.45 | 590.55 | 55,870 | 198,806 |
| Mar | 596.50 | 596.50 | -1.85 | 598.75 | 595.50 | 476 | 13,264 |

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| ■ Nikkei 225 | | | | | | | |
| Dec | 18060.0 | 18000.0 | -100.0 | 18310.0 | 17990.0 | 24,000 | 151,472 |
| Mar | 18180.0 | 18150.0 | +90.0 | 18330.0 | 18120.0 | 240 | 7,590 |

Open interest figures for previous day.

* Sat Nov 4 : Taiwan Weighted Price 4814.35; Korea Comp Ex 950.97 - Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ IBIS/DAX after-hours index: Nov 6 - 2166.57 -1.12. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrials, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.) ¶ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $



■ TOKYO - MOST ACTIVE STOCKS: Monday, November 6, 1995.

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Kitagawa Iron Wk | 16.9m | 784 | +72 | Toshiba Corp | 7.9m | 784 | -1 |
| Takara Shuzo | 13.6m | 897 | +40 | Mitsubishi Rayon | 7.4m | 425 | +27 |
| Mitsui Eng & Shp | 12.1m | 240 | +2 | Taito | 6.6m | 760 | +61 |
| Mitsubishi Hvy | 12.0m | 804 | -1 | Nippon Steel | 4.5m | 342 | -3 |
| Toho Zinc | 11.3m | 629 | +37 | Pacific Metals | 4.1m | 650 | +8 |

4 pm close November 6

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1995 High | 1995 Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chg'e Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 19 | 12⅞ | AAR x | 0.48 | 2.7 | 24 | 45 | 18 | 17¾ | 17¾ | -⅛ |
| 46¼ | 35 | AMP x | 0.92 | 2.4 | 19 | 2192 | 38⅝ | 38¼ | 38¼ | -1 |
| 80¼ | 53⅞ | AMR | | | 16 | 5921 | 72¼ | 70⅝ | 73 | +1⅛ |
| 47⅞ | 38⅜ | ASA | 1.71 | 4.5 | 25 | 498 | 38⅝ | 38⅛ | 38⅛ | +⅛ |
| 44¾ | 30¼ | Abbott | 0.84 | 2.1 | 10 | 7487 | 40⅛ | 39¼ | 39½ | +⅛ |
| 18⅞ | 12 | AbitibiPr | 0.40 | 2.2 | 0 | 1192 | 18⅝ | 18 | 18⅝ | +¼ |
| 27⅝ | 21 | ABM Ind | 0.60 | 2.3 | 14 | 7 | 26⅛ | 26¼ | 26¼ | -⅛ |
| 11½ | 13½ | Acptncels | | | 10 | 142 | 15⅛ | 15 | 15⅛ | -⅛ |
| 36¼ | 27⅞ | ACE Ltd | 0.56 | 1.5 | 6 | 249 | u36½ | 36 | 36½ | +½ |
| 9⅝ | 8⅜ | ACM Gvt In x | 0.90 | 0.2 | 8 | 495 | 9¾ | 9⅝ | 9¾ | +⅛ |
| 7¾ | 6½ | ACM GvOpp x | 0.66 | 8.9 | | 113 | 7⅛ | 7¼ | 7⅛ | |
| 7½ | 5⅞ | ACM Gvt Sp x | 0.75 | 10.5 | | 223 | 7⅛ | 7 | 7⅛ | |
| 8¾ | 7¼ | ACM Gvt Sh x | 0.90 | 10.4 | | 434 | 8⅝ | 8⅝ | 8⅝ | |
| 9½ | 7⅞ | ACM Man x | 0.90 | 10.3 | | 240 | 8⅞ | 8¾ | 8¾ | -⅛ |
| 29¼ | 10¼ | AcmeClv x | 0.48 | 2.1 | 11 | 169 | 22⅞ | 21⅞ | 22⅞ | +¼ |
| 38¼ | 8¼ | Acme Elect | | | 73 | 169 | 9 | 8⅝ | 8⅞ | +⅛ |
| 34½ | 23¾ | Acordia | 0.72 | 2.6 | 14 | 4 | 27½ | 27½ | 27½ | -⅜ |
| 16¼ | 16⅛ | Acuson | | | 38 | 578 | 11⅞ | 11¾ | 11¾ | +¼ |
| 18⅞ | 15⅜ | Adams Extr | 0.48 | 2.9 | 6 | 196 | 18¾ | 18⅝ | 18⅝ | |
| 38⅞ | 22½ | AdvMic | | | 7 | 6302 | 22⅞ | d22½ | 22½ | -⅛ |
| 9¾ | 5 | Advest Grp | 0.16 | 1.7 | 13 | 36 | u9¾ | 9⅝ | 9⅝ | -⅜ |
| 26⅝ | 16½ | Advo Inc | 0.10 | 0.4 | 10 | 451 | 28½ | 28 | 28½ | +¼ |
| 38¾ | 24.60 | Aegon | 1.28 | 3.3 | 21 | 95 | u38⅞ | 38⅝ | 38¾ | |
| 5⅞ | 3⅜ | Aerflx | | | 6 | 133 | 4⅞ | 4¾ | 4¾ | -⅛ |
| 75½ | 46¾ | AetnaL x | 2.76 | 3.7 | 36 | 6181 | u75½ | 74 | 75½ | +1⅞ |
| 44¾ | 31¼ | Aflac | 0.52 | 1.2 | 12 | 960 | 41⅞ | 41½ | 41⅞ | +⅛ |
| 28⅛ | 16 | Ahmanson | 0.88 | 3.5 | 15 | 1797 | 22¾ | 25¼ | 25½ | -⅛ |
| 59½ | 43⅞ | AirPrC | 1.24 | 1.9 | 18 | 1004 | 55 | 54½ | 54⅝ | -⅛ |
| [illegible] | | | | | | | | | | |

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

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NYSE
AMEX C
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D
Financial Time

4 pm close November 6

# NYSE COMPOSITE PRICES

| 1995 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous page | | | | | | | | | | |
| 57¼ | 39⅝ | SBC Cm | 1.65 | 3.0 | 16 | 2540 | 56¼ | 55½ | 55⅞ | -⅜ |
| 26 | 20½ | Scana Corp | 1.44 | 5.6 | 16 | 369 | u26¼ | 25¾ | 25¾ | -⅛ |
| 16 | 14⅛ | Scecrp | 1.00 | 6.9 | 19 | 4825 | 17 | 16½ | 16⅝ | -⅜ |
| 11¼ | 0⅛ | SchmthA x | 0.26 | 4.0 | 11 | 66 | 6½ | 6⅜ | 6½ | +⅛ |
| 50¼ | 27¼ | ScheringP | | | 23 | 160 | 44⅛ | 44⅛ | 44¼ | -⅛ |
| 55⅝ | 35½ | SchrPl x | 1.16 | 2.1 | 20 | 5763 | 55⅛ | 54⅛ | 54⅝ | +⅝ |
| 69⅝ | 50⅛ | Schlmb | 1.50 | 2.4 | 29 | 4058 | 62⅜ | 61¾ | 61⅞ | -⅛ |
| 29 | 11¼ | SchwabCh | 0.16 | 0.6 | 36 | 4425 | 25¼ | 24⅛ | 24⅞ | |
| 24⅞ | 11⅞ | SciAG | 0.08 | 0.4 | 20 | 6682 | 14⅞ | 13¾ | 14⅞ | +1⅛ |
| 20 | 15⅛ | Scotsmn | 0.10 | 0.6 | 19 | 318 | 16⅝ | 16½ | 16½ | |
| 54⅞ | 39½ | ScottP | 0.40 | 0.7 | 15 | 2816 | u54⅞ | 53⅞ | 54⅛ | +⅛ |
| 38½ | 28⅞ | Scripps | 0.52 | 1.4 | 26 | 272 | 38⅜ | 38⅛ | 38¼ | -⅛ |
| 21½ | 14 | ScuddrNAsF | 0.02 | 0.1 | | 58 | 14⅝ | 14½ | 14½ | -⅛ |
| 11⅞ | 6⅝ | ScuddrNEsF x | 0.16 | 1.5 | | 825 | 10⅝ | 10⅜ | 10½ | -⅛ |
| 20 | 13⅜ | SeaCnB | 0.70 | 3.9 | 1 | 11 | 18⅛ | 18 | 18⅛ | +⅛ |
| 16¼ | 14⅝ | SeaC1.4625 | 1.46 | 9.3 | | 2136 | 15¾ | 15¾ | 15¾ | |
| 49⅜ | 23⅝ | S'gate | | | 19 | 9888 | u49⅜ | 48¼ | 48¼ | -⅜ |
| 38⅛ | 25⅝ | Seagrm | 0.60 | 1.6 | 26 | 2100 | 37⅛ | 36½ | 36⅝ | -⅛ |
| 22½ | 15¼ | Seagull En | | | 57 | 866 | 17½ | 17 | 17¼ | |
| 28¼ | 16 | Sealed Air | | | 23 | 426 | 27⅞ | 26¼ | 27⅞ | +1 |
| 37⅞ | 30⅜ | Searsh | 0.92 | 2.5 | 6 | 6492 | 36⅞ | 35¾ | 36⅞ | +⅞ |
| 19¾ | 18⅛ | SecCapBSl x | 1.15 | 0.8 | 26 | 466 | 17⅝ | 17⅛ | 17½ | |
| 12⅛ | 16⅜ | Seligm Sel | 0.64 | 6.9 | | 47 | 12¼ | 12⅛ | 12¼ | +⅛ |
| 38¼ | 20 | Sensormat x | 0.22 | 1.1 | 19 | 4040 | 21⅛ | 20¾ | 20¾ | -⅛ |
| 31¼ | 21⅞ | SequaA | 0.60 | 2.4 | 7 | 13 | 25½ | 25 | 25 | -¼ |
| 35⅛ | 29 | SequaB | 0.50 | 1.8 | 16 | 2 | 21¼ | 31¼ | 31¾ | |
| 40⅞ | 25¼ | ServCp | 0.44 | 1.1 | 29 | 3953 | 39⅜ | 38 | 38⅛ | +1⅝ |
| 28⅞ | 21½ | ShMstr | 0.96 | 3.4 | 13 | 294 | 28½ | 28⅛ | 28¼ | +⅛ |
| 7⅞ | 4⅛ | ServMerch | | | 9 | 2209 | 5⅝ | 5⅜ | 5⅜ | -⅛ |
| 57½ | 22½ | SGSThm | | | 68 | 290 | 47⅛ | 48½ | 48½ | -⅜ |
| 17¾ | 12 | Shaw Ind | 0.80 | 2.1 | 15 | 2130 | 14⅜ | 14 | 14¼ | +¼ |
| 36¼ | 16½ | Shawmut Nt | 0.88 | 2.6 | 13 | 923 | 34½ | 34 | 34⅜ | |
| 13⅝ | 7⅝ | Shelby Wm x | 0.28 | 2.1 | 47 | 92 | 13¼ | 13 | 13¼ | +⅛ |

4 pm close November 6

# AMEX COMPOSITE PRICES

# NASDAQ NATIONAL MARKET

4 pm close November 6

AMERICA

# Merger mania does little for equity indices

## Wall Street

Merger mania swept Wall Street, although most of the share indices were flat, restrained by decreases on the bond and currency markets, *writes Lisa Bransten in New York.*

At 1pm the Dow Jones Industrial Average was unchanged at 4,825.57. The more broadly based Standard & Poor's 500 dipped 0.55 to 590.02 and the American Stock Exchange composite was 0.56 higher at 529.56. Volume on the NYSE came to 210m shares.

The technology-rich Nasdaq composite edged up 0.90 to 1,066.56, less than a point away from its record high of 1,067.40 set on September 13.

A host of companies moved on news that they were involved in one of the large mergers which were announced during the morning period.

*First Interstate Bancorp* rose $1¼ to $129 after announcing plans to merge with First Bank Systems in a deal valued at $10.3bn. Last month Wells Fargo launched a hostile bid for First Interstate. In early trading Wells Fargo slipped $¼ to $212 and First Bank Systems lost $1½ at $50¾ on the news.

Federal Paperboard added $7¼ or 16 per cent to $52¾ after International Paper launched a bid to buy the company for $55 a share in cash or stock, valuing the deal at about $3.5bn.

IP's shares slipped $⅞ to stand at $36⅛.

Cordis shares gave up $5¾ at $105 after the maker of medical devices ended its opposition to a hostile takeover bid launched last month by Johnson & Johnson. Shares in Johnson & Johnson added $¼ to $80¼. That deal is valued at about $1.8bn.

Pratt & Lambert jumped $13⅞ or 67 per cent to $34⅞ after it agreed to be purchased by Sherwin-Williams for $35 a share or $400m. Sherwin-Williams shares were unchanged at $37⅞.

Compaq Computer announced that it would buy Networth for $42 a share or $372m sending Networth's shares up $6⅞ or 20 per cent to $41⅞, while Compaq shed $⅞ at $55⅞.

## Canada

Toronto continued to build on last week's 200-point rise in midday trading and the TSE-300 composite index was 43.32 higher by noon at 4,579.80 in heavy volume of 35.9m shares.

Among the morning's features, Euro-Nevada Mining rose C$⅞ to C$46 and Franco-Nevada Mining was C$1 higher at C$75. Losers included Hudson's Bay Company, down C$¼ to C$24¼.

Nova picked up C$⅛ to C$10⅞ and Methanex appreciated C$⅜ to C$9⅝, both in heavy trading volume.

## SOUTH AFRICA

Johannesburg industrials traded confidently higher, while golds were left floundering just above their recently established 30-month lows. The overall index gained 37.9 at 5,886.3, industrials advanced 66.0 to 7,621.8 and golds lost 7.7 at 1,269.5.

# Santiago tumbles 2%

Santiago tumbled in midday trade on fears that inflation would push up interest rates. The IPSA index was off 2.1 per cent at 95.55, while the all-share index fell 1.3 per cent to 5,748 in volume of 8bn shares.

Brokers said that interest rates were 6.8 per cent last week and new inflation data indicated that the government would not achieve its target of 8 per cent for the year. Selling hit all sectors, with Endesa off 0.7 per cent to 276 pesos and Chilectra down 1.7 per cent.

**MEXICO CITY** was mildly easier at midsession as investors evaluated recent political and financial news. By noon the IPC index had lost 17.75 at 2,292.29. **SAO PAULO** was weaker at midsession in moderate volume. The Bovespa index receded 491 or 1.2 per cent to 41,097. Analysts said investors were still digesting a presidential decree which aimed to facilitate bank mergers and acquisitions.

### MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1995 | Start of 1995 | Start of 1995 |
| Austria | +3.11 | -5.08 | -12.68 | -13.85 | -6.57 | -5.65 |
| Belgium | +1.33 | -0.20 | +7.46 | +5.55 | +14.30 | +15.42 |
| Denmark | +0.79 | -0.41 | +4.18 | +0.83 | +10.80 | +11.88 |
| Finland | +1.78 | -11.04 | +5.34 | +9.34 | +20.38 | +21.56 |
| France | +4.36 | -0.61 | -2.33 | -1.02 | +6.89 | +7.94 |
| Germany | +3.31 | -0.20 | +3.74 | +1.40 | +9.96 | +11.04 |
| Ireland | +2.32 | -0.24 | +17.33 | +14.32 | +18.43 | +19.59 |
| Italy | +1.63 | -5.13 | -5.44 | -6.31 | -5.55 | -4.62 |
| Netherlands | +2.22 | -2.13 | +8.50 | +7.32 | +16.31 | +17.45 |
| Norway | +1.22 | -2.85 | +7.26 | -1.55 | +5.58 | +6.61 |
| Spain | +2.02 | -0.21 | +1.07 | +3.74 | +10.83 | +11.91 |
| Sweden | +2.46 | -4.46 | +21.84 | +20.55 | +33.47 | +34.78 |
| Switzerland | +3.38 | +2.79 | +22.85 | +18.64 | +35.12 | +36.43 |
| UK | +0.07 | -1.06 | +12.08 | +13.41 | +13.41 | +14.52 |
| EUROPE | +1.89 | -0.88 | +8.16 | +7.97 | +13.83 | +14.94 |
| Australia | +1.22 | -0.02 | +5.68 | +9.46 | +5.90 | +6.93 |
| Hong Kong | +1.41 | -1.68 | -2.06 | +15.74 | +14.68 | +15.80 |
| Japan | +3.66 | -2.51 | -7.65 | -7.26 | -11.61 | -10.74 |
| Malaysia | -4.93 | -7.23 | -14.94 | -7.23 | -7.86 | -6.95 |
| New Zealand | +0.24 | +4.99 | -1.16 | +12.59 | +13.97 | +15.09 |
| Singapore | +0.07 | -2.77 | -9.68 | -3.76 | -1.69 | -0.73 |
| Canada | +4.31 | +0.64 | +7.10 | +6.97 | +10.48 | +11.56 |
| USA | +1.80 | +1.35 | +26.49 | +28.77 | +27.53 | +28.77 |
| Mexico | +2.91 | -4.86 | -6.57 | -4.14 | -36.95 | -36.33 |
| South Africa | +1.46 | +1.18 | +12.75 | -3.59 | +6.70 | +7.75 |
| WORLD INDEX | +2.19 | -0.51 | +8.31 | +9.73 | +9.81 | +10.89 |

† Based on November 3 1995. 

EUROPE

# Schering and Akzo come under pressure again

The dollar fell back, and firmed again, and **FRANKFURT** ended more or less flat. However, the day saw floor trading interrupted by technical difficulties for more than two hours, and turnover fell from DM6.4bn to DM3.8bn.

The Dax index came back from a low of 2,161.46 to close just 1.12 off at an Ibis-indicated 2,166.37. *Pharmaceuticals* did badly: Schering lost DM1.95 to DM97.05 as Germany's Federal Drug Institute, following the recent scare in the UK, said that it would restrict the usage of certain low dosage oral contraceptives; and Merck, up recently from DM54 to around DM64, shed 50 pfgs to DM62 on profit-taking.

Hoechst, now a chemicals/pharmaceuticals hybrid, tried to rise on indications of earnings of around DM30 a share for 1995, but ended DM2.40 lower at DM363.50 in reaction to a run of relative strength since the end of June. Mr Charles Brown of Goldman Sachs thought the figures "broadly reasonable", although a little below his own forecasts which took earnings up through DM37 next year to *DM44 in 1997.*

Elsewhere, indications of lower earnings from Douglas left the specialty retailer down DM1.50 at DM52; the fashion house Escada hit a new 1995 low at DM247.50, down DM10.50; and the shipbuilder Bremer Vulkan was even more precipitate, DM6.30 off at DM38.80, again a new low following allegations that one of its banks was making difficulties in the provision of additional credit.

### FT-SE Actuaries Share Indices

| Nov 6 | | | | | | | THE EUROPEAN SERIES | |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1411.17 | 1409.12 | 1407.18 | 1407.58 | 1407.30 | 1405.47 | 1404.24 | 1403.25 |
| FT-SE Eurotrack 200 | 1526.63 | 1523.63 | 1521.35 | 1521.43 | 1520.97 | 1519.19 | 1514.69 | 1516.68 |

| | Nov 3 | Nov 2 | Nov 1 | Oct 31 | Oct 30 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1413.68 | 1409.91 | 1403.39 | 1398.80 | 1387.73 |
| FT-SE Eurotrack 200 | 1525.45 | 1524.27 | 1515.16 | 1513.72 | 1500.44 |

Base 1000 (26/10/90). Highday: 100 - 1411.35; 200 - 1527.00 Lowday: 100 - 1403.11 200 - 1514.62 † Partial

**AMSTERDAM** took another hard look at Akzo Nobel following news from the German drug agency that it was to restrict the use of one of its oral contraceptive pills. The shares, sold heavily last week following disappointment with Akzo's third-quarter results, shed Fl 4.90 or 2.8 per cent to Fl 168.60 as the AEX index fell 2.33 to 453.32.

**PARIS**, pleased with last week's 5 per cent gain, took time off and the CAC-40 index drifted down 9.46 to 1,822.64.

Brokers remarked that last week's cut in 24-hour rates by the Bank of France had been received warmly, but investors were now eager for that process to be accelerated. A further cut, however, was now unlikely until the government presented its plan to reduce the social security deficit later *this month.*

UAP extended Friday's loss as investors worried that the insurer would have to make provisions for property losses later this year. The shares slipped FFr3.00 to FFr120.40.

Another faller was the retailer Carrefour, off FFr25 at FFr2,777. Profit-taking was blamed, although some analysts remarked that investors had not been pleased by October sales figures released at the end of last week.

**MILAN** was weak, and trading volumes extremely low, as *the Comit index fell 10.17 to* 579.29; the real time Mibtel index lost 60 to 9,256.

Among the banks, San Paolo picked up L163 or 1.9 per cent to L8,914 after it said that it had agreed to sell a 19.2 per cent stake in Ambroveneto for L675bn to *syndicate* banks which already held a majority of Ambroveneto shares. Ambroveneto dropped L254 or 5.8 per cent to L4,104.

Ferruzzi, the holding company at the centre of the SuperGemina plan, fell L28 to *L1,158 as San Paolo sank* hopes for a rival bid by saying that it had no plans to seek control of the debt laden group.

**ZURICH** was pulled back by the weaker dollar and a lack of follow-through buying and the SMI index lost 14.4 to 3,123.2. *Among insurers,* Zurich registered fell SFr7 to SFr323 as it said that a downgrade by Moody's, the US credit *ratings* agency, was inconsistent with its financial strength and the current course of business.

Roche certificates picked up SFr20 to SFr8,300 as the company, embarking on a series of roadshows worldwide, also expressed confidence that it would receive a positive recommendation for its Invirase anti-Aids drug when the US FDA's Antiviral Drugs Advisory Committee met today to decide whether to recommend the drug for full approval.

**STOCKHOLM** was depressed by *lower than expected nine-*month profits from Scania, a 48 per cent gain from the bus and truck maker leaving the shares of *its parent, Investor,* down SKr7.50 at SKr228. The Affärsvärlden General index fell 15.6 to 1,706.1.

**OSLO** saw profit-taking on Wall Street confirm earlier weakness and the total index closed 5.19 lower at 703.88.

Kvaerner, known as a shipping and offshore group, announced a loss in its paper and pulp division which will feature in its progress report next Monday. The A shares fell *NKr9.50 to NKr230.50.*

Christiania Bank took a late dive, falling NKr0.60 to NKr13.60 after the government, which controls the bank with a 69 per cent holding, said it was considering the sale of 17.8 per cent of the equity.

**ISTANBUL** fell sharply as investors remained nervous about the political situation. The composite index lost 1,296.07 or 2.9 per cent to 43,632.23. Turnover also weakened, to TL5,180bn from Friday's TL11,460bn.

**Tel Aviv recovered part of Sunday's 3 per cent fall as some confidence returned to the domestic investment community following the assassination of *Mr Yitzhak Rabin* on Saturday,** writes John Pitt.

**The Mishtanim 100-share index regained 2.06 or 1 per cent to 185.93 in turnover of Shk43.8m, compared with Sunday's Shk96.2m.**

***Mr Roger Hornett*, executive director of Société Générale Equities International in London, said the peace process may well have been enhanced by the tragic event, and there was a feeling among both domestic and foreign investors that the process not only should but *must* continue. Strength in the shekhel yesterday also indicated investor confidence, and there was no reason to expect a change in either fiscal or monetary policy, he added.**

**Mr Arnon Rubinstein of BZW in London was also confident *about the short term direction of* the market, although the country faced a lot of soul searching in the weeks ahead.**

**A recent increase in domestic interest rates had capped the market's progress, he said, as the central bank continued its *fight against inflation.* He forecast a prospective 1996 market price/earnings ratio of 11 to 12 times, against a p/e of 13.5 for 1995.**

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

# Nikkei higher as Bangkok slides to six-month low

## Tokyo

The likelihood of a merger with Sumitomo Bank balanced Daiwa Bank's US indictment last Thursday on 24 counts of conspiracy and fraud, and the ordered closure of Daiwa's US operations. The Nikkei average came back from Friday's holiday to close marginally higher in spite of technical selling in late trading, *writes Emiko Terazono in Tokyo.*

*Also* supported by the rise in the dollar and Thursday's and Friday's rallies on Wall Street, the 225-share index ended 8.17 up at 18,036.97 after fluctuating between 17,970.71 and 18,252.39. Volume totalled 406m shares, against 398m.

The Topix index of all first section stocks edged up 0.42 to 1,435.94, while the Nikkei 300 lost 0.45 at 266.63. Advances led declines by 611 to 424, with 168 issues unchanged. In London the ISE/Nikkei 50 index was 1.94 firmer at 1,213.37.

Daiwa Bank, Y575 at worst in London last Friday, rose by its daily limit of Y100 to Y739, while Sumitomo Bank fell Y140 to Y1,720. "Looking at the relative net asset values for these two banks, an appropriate merger ratio would be 0.6 to 0.7, in which case the share price of Sumitomo Bank would have to halve or the share price of Daiwa Bank would have to double in order to reflect relative net worth of the two," said Ms Alicia Ogawa, banking analyst at Salomon Brothers.

Daiwa's rise had a favourable impact on the overall market. "Without the talk of the merger the whole market could have plunged," said Mr Yasuo Ueki at Nikko Securities.

Cosmo Securities, a broker to which Daiwa has close ties, gained Y35 at Y335. But some banks were weaker, Industrial Bank of Japan losing Y10 at Y2,530 and Fuji Bank Y40 at Y1,910.

The yen's fall supported *high-technology stocks. Canon* rose Y10 to Y1,840 and TDK Y240 to Y5,640. Shipbuilders were also stronger, with Kawasaki Heavy Industries moving up Y8 to Y447.

In Osaka, the OSE average rose 169.55 to 19,637.81 in volume of 45.9m shares.

Nintendo, the video game maker, jumped Y420 to Y8,200. The stock rose above Y8,000 for the first time since October 1993 thanks to buying by individual investors and foreigners. Traders said reports that the company had tied up with Netscape, of the US, to offer game rewriting services on the internet had supported buying, as did the launch of its new 64-bit game later this month.

## Roundup

Selling of blue chips by domestic investors left **BANGKOK** at its lowest level in just over six months. The SET index declined 5.89 to 1,238.91 in low turnover of Bt2.3bn.

Industrial Finance Corp of Thailand, which topped the active list, fell Bt4 to Bt75, and TelecomAsia shed Bt2.50 to Bt70. Brokers said investors sold both shares to take profits after strong gains of late.

**HONG KONG** fell 1.2 per cent, with late selling spurred by China Light & Power's weaker than expected results. The Hang Seng index relinquished 119.70 to 9,736.10 in turnover of HK$3.2bn.

China Light receded HK$1.90 to HK$39.50. Hongkong Telecom slipped 30 cents to HK$13.20 as a number of brokers issued sell notes due to increased competition in the local telephone service market.

*MANILA*, open for business having been closed on Friday after a typhoon hit the island, eased 1 per cent on worries that today's inflation data would show a rising trend. The composite index lost 28.73 or 1.2 per cent to 2,460.35.

Some brokers said they expected inflation for October to reach 12 to 13 per cent, from 11.8 in September. A rise in domestic interest rates was also expected, they said.

*SYDNEY made ground after* a strong afternoon session which left the All Ordinaries index up 15.20 at 2,106.80. Turnover amounted to A$434.6m.

*TAIPEI gained 1 per cent as* investors were pleased by expectations that the central bank would cut reserve requirements for banks.

The weighted index ended up 48.24 or 1 per cent at 4,862.59, off a session low of 4,804.92. Turnover was T$15.8bn. Buying was encouraged by an announcement of a lower than expected rise in the October consumer price index.

There was late buying concentrated in financial issues on expectations that the cut in reserve requirements would benefit the sector. China Bills rose T$1.00 to T$35.10. Food companies were also firmer and President Enterprises put on T$1.00 at T$30.80.

*WELLINGTON* saw Telecom hit an all-time high during the day of NZ$6.52, before slipping back to end a net 7 cents up at NZ$6.47. The NZSE-40 Capital index *rose 6.70 to 2,191.44* in NZ$37.7m turnover.

Lion Nathan set a new 1995 high, closing 8 cents stronger at NZ$3.50, and Fletcher Challenge, under selling pressure last week as at least one broker downgraded its recommendation, partly recovered, rising 4 cents to NZ$3.97.

**SINGAPORE** was led lower by losses in Sembawang, out of favour with investors owing to its lack of focus and underperforming core operations.

The Straits Times Industrial index shed 1.47 to 2,095.81 as Sembawang lost 15 cents to a low for the year of S$6.50.

**KUALA LUMPUR** was supported by bargain hunting after last week's forged scrips scare and the composite index rallied 2.79 to 927.29.

*Landmarks took 19.5m, or* 20.6 per cent of the total shares traded, on speculation that a major shareholder was selling his stake. There was also speculation of asset injection. The stock rose 2 cents to M$3.58 after a 79-cent jump on Friday.

**SEOUL** closed slightly higher on institutional buying of primary blue chips, but brokers said that the *mood remained* vulnerable to ex-president Roh Tae-woo's slush fund scandal. The composite index was ahead 2.79 at 992.76.

**SHANGHAI's** B share index lost 1 per cent to close at a four-month low, mainly on selling in Shanghai Diesel Engine, which triggered some heavy selling in other shares.

The index fell 0.556 to 53.763 as Diesel Engine, which has a heavy weighting, skidded $0.034 or 8 per cent to its all-time low of $0.390. Brokers said investors were worried about company sales under the impact of China's austerity measures and profits of its joint venture with Caterpillar, of the US.

**SHENZHEN's** B share index jumped 2.15 or 3.1 per cent to 72.14, *boosted by a $3.50 surge* to $5 in Shenzhen Huafa, but in volume of just 4,800 shares.

**KARACHI** made headway as short-covering on clearing day offset early losses. The KSE-100-share index rose 2.07 to 1,533.19, after slipping to 1,519.75 in early trade.

### FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices

| NATIONAL AND REGIONAL MARKETS | FRIDAY NOVEMBER 3 1995 | | | | | | | | THURSDAY NOVEMBER 2 1995 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (82) | 183.54 | 1.7 | 172.23 | 120.27 | 135.07 | 161.09 | 1.8 | 4.02 | 180.51 | 169.27 | 118.21 | 133.18 | 158.28 | 191.01 | 157.95 | 170.23 |
| Austria (27) | 172.41 | 0.1 | 161.80 | 112.98 | 126.88 | 126.80 | -0.1 | 1.32 | 172.14 | 161.43 | 112.73 | 127.00 | 126.94 | 199.28 | 167.48 | 184.43 |
| Belgium (35) | 194.40 | 0.4 | 182.44 | 127.38 | 143.06 | 139.55 | 0.2 | 3.75 | 193.56 | 181.50 | 126.75 | 142.80 | 139.23 | 201.12 | 164.78 | 169.29 |
| Brazil (28) | 136.82 | 1.2 | 128.41 | 89.66 | 100.69 | 242.28 | 1.2 | 1.74 | 135.15 | 126.74 | 88.51 | 99.71 | 239.39 | 188.35 | 86.06 | 170.66 |
| Canada (100) | 144.35 | 0.7 | 135.47 | 94.59 | 106.23 | 140.59 | 0.7 | 2.62 | 143.30 | 134.38 | 93.84 | 105.72 | 139.61 | 150.83 | 121.81 | 133.39 |
| Denmark (33) | 281.73 | 0.3 | 264.40 | 184.61 | 207.33 | 210.18 | 0.1 | 1.54 | 280.85 | 263.36 | 183.92 | 207.20 | 210.03 | 295.59 | 236.81 | 249.91 |
| Finland (25) | 226.05 | 2.6 | 212.14 | 148.13 | 166.35 | 202.24 | 2.3 | 1.58 | 220.34 | 206.62 | 144.29 | 162.56 | 197.74 | 276.11 | 171.13 | 197.00 |
| France (100) | 176.53 | 0.2 | 165.67 | 115.68 | 129.91 | 135.51 | 0.2 | 3.24 | 176.14 | 165.17 | 115.35 | 129.95 | 135.29 | 191.17 | 157.79 | 170.26 |
| Germany (58) | 159.13 | 0.1 | 149.34 | 104.27 | 117.10 | 117.10 | -0.1 | 2.04 | 158.88 | 148.99 | 104.05 | 117.22 | 117.22 | 167.74 | 135.39 | 143.38 |
| Hong Kong (55) | 377.66 | 0.5 | 354.44 | 247.49 | 277.94 | 374.94 | 0.8 | 3.88 | 374.76 | 351.43 | 245.42 | 276.50 | 372.02 | 389.39 | 277.40 | 385.77 |
| Ireland (16) | 246.63 | 0.3 | 231.46 | 161.81 | 181.50 | 215.11 | 0.4 | 3.50 | 245.80 | 230.50 | 160.97 | 181.25 | 214.25 | 250.55 | 185.34 | 208.25 |
| Italy (58) | 71.81 | -0.9 | 67.39 | 47.06 | 52.85 | 55.46 | -1.1 | 1.78 | 72.49 | 67.98 | 47.47 | 53.48 | 86.39 | 82.71 | 65.45 | 77.85 |
| Japan (483) | 140.08 | -0.1 | 131.46 | 91.79 | 103.08 | 91.79 | 0.0 | 0.83 | 140.16 | 131.44 | 91.79 | 103.41 | 91.79 | 164.82 | 136.85 | 161.08 |
| Malaysia (106) | 446.03 | -0.4 | 418.60 | 292.28 | 328.25 | 437.36 | -0.3 | 1.88 | 447.75 | 419.88 | 293.22 | 330.35 | 438.70 | 561.96 | 399.18 | 521.60 |
| Mexico (18) | 901.63 | -1.3 | 846.15 | 590.82 | 663.51 | 7309.69 | 0.1 | 1.90 | 913.31 | 856.44 | 598.10 | 673.81 | 7304.51 | 2155.31 | 647.81 | 2082.55 |
| Netherland (19) | 254.73 | 0.4 | 239.06 | 166.92 | 187.46 | 184.35 | 0.2 | 3.54 | 253.64 | 237.88 | 166.10 | 187.13 | 183.95 | 263.99 | 207.60 | 218.13 |
| New Zealand (14) | 81.08 | 0.6 | 76.10 | 53.13 | 59.67 | 65.90 | 0.9 | 4.35 | 80.62 | 75.60 | 52.79 | 59.46 | 65.18 | 85.49 | 69.56 | 77.20 |
| Norway (33) | 227.27 | 0.5 | 213.29 | 148.92 | 167.25 | 192.67 | 0.3 | 2.17 | 226.71 | 212.03 | 148.07 | 166.82 | 132.07 | 243.79 | 192.92 | 200.29 |
| Singapore (44) | 370.31 | 0.3 | 347.53 | 242.66 | 272.52 | 241.22 | 0.2 | 1.73 | 369.01 | 346.04 | 241.66 | 272.25 | 240.71 | 414.26 | 313.94 | 394.58 |
| South Africa (45) | 362.79 | 0.6 | 340.47 | 237.73 | 266.97 | 289.13 | 0.6 | 4.02 | 360.76 | 338.30 | 236.25 | 266.16 | 287.42 | 368.62 | 281.06 | 334.42 |
| Spain (38) | 147.67 | 0.1 | 138.59 | 96.77 | 108.67 | 136.51 | -0.2 | 4.17 | 147.46 | 138.28 | 96.57 | 108.79 | 136.84 | 160.51 | 124.10 | 141.25 |
| Sweden (49) | 311.49 | 1.6 | 292.33 | 204.12 | 229.23 | 306.63 | 1.7 | 1.90 | 306.43 | 287.35 | 200.67 | 226.08 | 301.46 | 320.43 | 225.80 | 281.54 |
| Switzerland (41) | 225.37 | 0.9 | 211.51 | 147.68 | 165.85 | 159.00 | 0.5 | 1.67 | 223.24 | 209.34 | 146.19 | 164.70 | 158.21 | 225.37 | 158.38 | 164.72 |
| Thailand (46) | 155.34 | 0.8 | 145.78 | 101.79 | 114.32 | 152.20 | 0.8 | 2.68 | 154.06 | 144.47 | 100.89 | 113.88 | 150.94 | 184.56 | 130.15 | 180.58 |
| United Kingdom (206) | 223.12 | -0.7 | 209.39 | 146.21 | 164.20 | 209.39 | -0.6 | 4.10 | 224.71 | 210.72 | 147.16 | 165.79 | 210.72 | 227.31 | 187.07 | 203.83 |
| USA (504) | 241.78 | 0.1 | 226.91 | 158.43 | 177.93 | 241.78 | 0.1 | 2.44 | 241.53 | 226.49 | 158.17 | 178.19 | 241.53 | 242.04 | 182.33 | 191.14 |
| Americas (650) | 220.32 | 0.1 | 206.76 | 144.37 | 162.13 | 165.03 | 0.1 | 2.44 | 220.04 | 206.34 | 144.10 | 162.34 | 164.78 | 220.86 | 170.66 | 178.85 |
| Europe (739) | 194.20 | 0.0 | 182.25 | 127.25 | 142.91 | 162.62 | -0.1 | 3.10 | 194.17 | 182.08 | 127.15 | 143.25 | 162.78 | 199.02 | 163.04 | 173.71 |
| Nordic (140) | 281.42 | 1.5 | 264.11 | 184.41 | 207.10 | 237.68 | 1.4 | 1.62 | 277.38 | 260.11 | 181.65 | 204.64 | 234.43 | 295.02 | 215.79 | 225.77 |
| Pacific Basin (832) | 150.87 | 0.1 | 141.59 | 98.86 | 111.02 | 101.99 | 0.1 | 1.29 | 150.73 | 141.34 | 98.71 | 111.21 | 101.83 | 171.87 | 145.93 | 170.28 |
| Euro-Pacific (1571) | 168.83 | 0.1 | 158.44 | 110.63 | 124.24 | 124.91 | 0.0 | 2.16 | 168.74 | 158.23 | 110.50 | 124.49 | 124.86 | 178.33 | 154.73 | 171.61 |
| North America (604) | 235.76 | 0.1 | 221.25 | 154.49 | 173.49 | 235.01 | 0.1 | 2.45 | 235.46 | 220.80 | 154.19 | 173.71 | 234.71 | 235.91 | 178.85 | 187.56 |
| Europe Ex. UK (533) | 174.34 | 0.4 | 163.67 | 114.24 | 128.29 | 136.93 | 0.2 | 2.54 | 173.59 | 162.78 | 113.68 | 128.07 | 136.64 | 178.46 | 146.45 | 154.01 |
| Pacific Ex. Japan (349) | 252.48 | 0.8 | 236.95 | 165.44 | 185.80 | 221.37 | 0.8 | 3.32 | 250.54 | 234.94 | 164.07 | 184.84 | 219.57 | 266.72 | 211.19 | 258.65 |
| World Ex. US (1762) | 169.85 | 0.1 | 159.40 | 111.30 | 124.99 | 128.46 | 0.1 | 2.20 | 169.70 | 159.14 | 111.13 | 125.20 | 128.37 | 178.73 | 155.42 | 173.30 |
| World Ex. UK (2060) | 188.92 | 0.2 | 177.29 | 123.79 | 139.02 | 156.33 | 0.2 | 2.10 | 188.58 | 176.83 | 123.49 | 139.13 | 156.08 | 191.32 | 163.46 | 175.70 |
| World Ex. Japan (1783) | 220.70 | 0.1 | 207.12 | 144.62 | 162.41 | 205.30 | 0.1 | 2.76 | 220.39 | 206.67 | 144.33 | 162.60 | 205.08 | 221.43 | 178.95 | 189.29 |
| The World Index (2266) | 181.91 | 0.1 | 180.10 | 125.75 | 141.22 | 181.01 | 0.1 | 2.30 | 191.73 | 179.79 | 125.56 | 141.45 | 160.88 | 194.25 | 165.92 | 178.18 |

 PLEASE NOTE: US West Media (USA) (Large Cap index). Effective 9/11/95: Pharmacia & Upjohn Inc. (USA) (Large Cap index). NAME CHANGE 6/11/95: US West to US West Communications (USA). Latest prices were unavailable for this edition. Market closed 3/11/95 Japan.

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# NEW BROADCAST & COMMUNICATIONS MEDIA

## Back to reality from the field of dreams

**The new media offer a plethora of choice. Raymond Snoddy looks at the prospects**

Around the world, the multi-billion media business is in turmoil as technology offers consumers unprecedented choice and presents communication companies with investment decisions that a e equally unprecedented in their difficulty.

Quite apart from visions of fibre-optic, super-electronic highways delivering an infinity of entertainment and information to every home, media organisations are having to come to terms with digital satellite television, digital terrestrial television and radio, CD-Rom, interactive television and video-on-demand, on top of cahle and satellite systems that, by now, are more traditional.

Perhaps the most dramatic media development which has crept up, almost without being noticed, over the past two years involves the enormous potential, hacked hy huge investments, that are now being committed to digital salellite television in virtually every continent.

Before most people outside the US have come to terms with 30-40 channel television, large media consortia are trying to convince viewers that 150 channels, and possihly even one day as many as 500 channels, would be practical and desirahle.

Although it has yet to be proven whether digital satellite will turn oul to he a profitable business, it can certainly not be dismissed as a fantasy, if only because of the large sums of *money being paid for* satellite capacity and for the black box decoders needed to receive the signals. NetHold, the Netherlands-hased international pay television company which operates channels such as FilmNet, recently placed firm orders for 1.1m decoders.

By the end of this year the first of the large digital satellite television operators, DirecTV – a subsidiary of Hughes Aircraft Company – expects to have 1.3m subscribers to a 170-channel system broadcasting to the entire continental United States. It already has more than 800,000 subscribers.

Next year, three competing systems could be offering a large number of television channels over Latin America.

Last month, NetHold launched a multi-channel digital satellite service for all of Africa and services for both Europe and the Middle East will follow. The rival Eutelsat satellite system has beeo offering a mixture of digital and analogue services for some time. Mr Rupert Murdoch is also usiog his Hong Kong-based StarTV satellite television system to launch digital satellite in Asia.

British Sky Broadcasting, with 4.2m paying customers, has already leased capacity on the first *all-digital* television satellite to go up in Europe – the Astra satellite was successfully launched last month – and is expected to launch a 120-channel service early in 1997. Canal Plus, with a total of 7.1m pay-television subscribers in Europe and Africa, plans to launch its digital service before the end of this year.

Digital satellites could also turn out to he powerful vehicles for distributing data, both for husinesses and private use.

Eutelsat is already delivering digital versions of the Italian newspapers La Stampa and Sole 24 Ore by satellite for on-screen reading or computer *print-out*.

CIT Research, the consultancy, believes that by 2004 nearly 9m European homes could own a digital satellite receiver.

The large number of television channels is possihle because of digital compression technology that enables as many as 10 channels to be carried – depending on desired picture quality – on a satellite transponder that at present carries only one analogue television channel.

Apart from offering additional choice, digital satellite offers the possibility of near-video-on-demand. Most people go to their viden stores in search of the current blockbusters. On a digital satellite system perhaps 60 channels are set aside for the top eight or nine films so that each film is shown on a number of channels. The start times are staggered so that the viewer is only 20-30 minutes away from the start of the film, thereby creating the illusion of video-on-demand.

A large number of experiments are under way – from Colchester in Essex to Orlando, Florida – to see how much consumers are prepared to pay for fully interactive on-demand services, ranging from films to home banking and home shopping.

For instance, British Telecommunications is in the process of launching a commercial experiment involving 2,500 homes in the Colchester and Ipswich area. Television programmes and videos and a wide range of information and consumer services will be sent down normal telephone lines. In the experiment, which will help to determine whether BT launches video-on-demand throughout the UK, movies will cost between £1.50 and £3.99 each and music videos £3.99. Customers will pay a monthly charge of £4.99, hut no installation fee.

A similar experiment run by Bell Atlantic in Fairfax, Virginia, is said to be producing "buy rates" higher than expected. The first results are promised soon.

Robin MacForlon

The cable industry tends to disparage such services on the grounds of the limited capacity of the telephone line and argues that, while others merely talk about super-electronic highways, it is spending billions on turning the concept into a reality.

In the UK, where cahle enjoys streams of revenue from both television channels and telecommunication services, the industry has recently passed a number of important milestones. Cahle television subscribers have passed the 1m mark and more than 1m telephone lines have heen installed.

Cable, rather than satellite dishes, is now winning a majority of new subscribers to the programme services of BSkyB. But despite the significant increase in the number of subscribers as the cable networks are rapidly huilt, the penetration rates – the ratio of those subscribing to those who could – has been stuck stubhornly at 21.5 per cent.

In the new year the cable companies are planning to spend more than £10m on an advertising campaign to increase the awareness of cable.

The three largest cable companies, all of which have recently successfully floated – TeleWest, Nynex CableComms and Bell Cahlemedia – have recently joined together to fund a lahoratory that will investigate new services, including using cable for cheap and easy access to the Internet.

Lyonnaise Communications, the French cable company, is in the process of launching interactive services in Paris – not just home shopping, banking and access to the Internet but also virtual museums.

If all this were not competition enough, several countries – in particular the US, the UK and Australia – are well advanced with proposals to launch digital terrestrial television. In the UK that would mean at least 20 new channels available over most of the country which could be picked up by simple cooventional aerials hut would need digital decoders.

As usual, the problem is no longer technological hut trying to assess whether the consumer will pay and for what services.

Governments are already attracted by the high prize of clearing large slices of the radio spectrum for mobile communications hy moving the channels of the existing broadcasters to digital frequencies. The transition, however, is likely to take be 10-15 years, whether or not a final cut-off date is set.

Ironically, the moment of maximum technological choice is being marked with a growing degree of scepticism about how quickly some of the more grandiose schemes can be realised.

Mr Ed Christie, head of an extensive, continuing project on the future of the media being carried out by SRI International – the old Stanford Research Institute – is telling clients these days that they should "play on the field of reality, not the field of dreams." Mr Christie says he prefers hybrid solutions that take existing technologies a step ahead and give companies an early advantage in the marketplace to all-singing and dancing superhighways.

Many of the huge international media deals in recent years have involved predators getting their hands on traditional media husinesses with either strong production capacity or strong distribution channels. The deals have ranged from Viacom's acquisition of Paramount and Blockbuster Video to this year's Disney purchase of the US network company Capital Cities ABC and its cable television interests.

Despite the plethora of choice now becoming available, all the signs are that the traditional broadcasters will still hold on to most of their present dominance for the foreseeable future.

In the UK, partly driven hy exclusive coverage of sport, the new media's share of viewing in cable and satellite homes has risen to 37 per cent in some recent weeks. It is too early to say whether the increase, compared to the more usual 33 per cent in the past, will turn out to be permanent.

In the US, Veronis Suhler, the investment bank specialising in the media, recently forecast that total spending on broadcast television networks and stations will grow at a 5.3 per cent compound annual rate from 1995 to 1999, 47 per cent greater than the 3.6 per cent rate for the previous forecast period of 1989-1994. By 1999, total hroadcast television spending will reach $37.6bn, up from $29bn in 1994.

Further evidence of the growing importance of advertising-financed television came from the UK last month.

In 1992 there was only one bidder for a licence to run Channel 5, a terrestrial channel that should reach around three-quarters of the UK population, and the hid was £1,000 a year. The bid failed largely hecause the consortium was not fully funded.

On October 27 when the readvertised liceoce for the channel, which is due to go on air on January 1 1997, was awarded to Channel 5 Broadcasting – a consortium made up of MAI, the broadcasting and financial services group, Pearson, owners of the Financial Times, CLT of Luxemhourg and investment hank Warburg Pincus – the winning bid was just over £22m a year.

**MULTIMEDIA SERVICES:** by Alan Cane

# The challenge of cable

## As restrictions are eased, what will be the impact on Europe's telecoms operators?

Last month, Brussels opened the door to limited competition between cable television companies and telecommunications operators throughout the European Union.

Using special powers available under the Maastricht treaty, the European Commission is forcing member states to lift restrictions on cable operators that prevent them offering multimedia services such as teleshopping and home banking in addition to conventional broadcast entertainment.

Telecoms operators, however, are still forbidden to broadcast entertainment over their main networks. So to maintain a balance, the new legislation does not include basic voice services, the largest and most lucrative part of the telecoms business.

Mr Karel Van Miert, EU competition commissioner, said he could not force governments to allow voice services before January 1 1998, the date set for liberalisation of all telecoms services and infrastructure across Europe. "But they would be well advised to do so," he said.

Allowing cable companies to offer voice and multimedia services is seen as a way of stimulating competition at the local level as Europe's old, state-owned monopolies are dismantled.

Cable companies provide their own local infrastructure. They are not, therefore, burdened by the need to pay fees to the dominant operator for access to the local loop, the final step between the exchange and the home or office which is often seen as the chief barrier to effective competition.

So far, however, only the UK and Sweden have been prepared to allow cable companies to compete in voice services. The UK, in fact, was the first country to allow such competition and cable operators, chiefly of US or French origin, have been building regional networks since 1987.

Many of these are barred from voice markets in their home countries and are in the UK to gain experience. They include North American cable operators including TCI and Videotron and regional Bell operating companies such as US West and Nynex.

The UK is proving to be a testbed for the global cable industry. According to the UK Cable Communications Association, by 2000, UK cable companies will have invested at least £10bn to lay a broadband network incorporating 60,000 miles of fibre optic cable that will pass some 75 per cent of the country's 22m homes. Between them, at present, the cable companies have about 1.2m subscribers.

Speaking in London earlier this year to the US Chamber of Commerce, Mr Richard Blackburn, president of Nynex Worldwide Communications and Media Group, said: "We are all confident that these networks will be built on schedule. Why? Because cable companies in the UK are in the unique position of being able to provide both entertainment and telecommunications over the same network. This is a big incentive that continues to be a key motivator."

In the UK, cable companies have been granted franchises for specific localities in which they have the monopoly on cable provision. To carry telephone traffic over long distances, they are still dependant on conventional telecoms operators to whom they have to pay substantial interconnection charges.

Most have deals with Mercury Communications, BT's chief competitor. Some are forging contracts with Energis, a long distance carrier owned by the National Grid.

There are thus two possible scenarios for the development of cable in the UK: the individual cable operators may agree to link their networks, eventually forming a nationwide, high bandwidth infrastructure. Or they may collaborate with a longhaul operator such as Mercury or Energis to create a high bandwidth network.

Is the UK a good model for other countries liberalising their cable television networks? According to the UK Office of Telecommunications, a total of 125 telephone operators' licences have been granted to cable franchisees,

> The UK is proving to be a testbed for the global industry

geographically covering two-thirds of the UK population.

This year for the first time BT, which still has over 80 per cent of the overall UK telecoms market, has been making it clear that the cable operators are beginning to damage its profitability as up to 50,000 BT customers sign up for cable telephone services every month.

It has to be said, however, that the cable companies collectively have not been as successful as they might have hoped. Penetration is, on average, only about 20 per cent compared with an expected 30 per cent at this stage. "Churn", a measure of the number of customers who leave or are excluded from the network, is high. Quality of cable entertainment is sometimes doubtful and there is the ever-present threat of competition from satellite service operators. Quality of voice telephony can be patchy.

Nevertheless, cable television operators in Belgium, Denmark, Czechoslovakia, the Netherlands, Hong Kong and elsewhere are preparing to move into voice services.

The world's largest cable television operator is also Europe's largest telecoms company, Deutsche Telekom, with 1994 revenues of $2.3bn from cable TV and 14,600 subscribers. It is due for privatisation in the middle of next year.

The US is expected soon to change its regulations so that its plethora of cable companies will be able to offer voice. Of the world's top 10 cable television companies, eight are US-owned.

Sprint, the third largest US long haul operator, has established a joint venture with three US cable companies – Comcast Corporation, Cox Communications and Telecommunications Inc – to provide local, long-distance wireless and cable services in a single package. According to Mr William Esrey, Sprint chief executive: "The venture intends to be the nation's leading, full service, local telecommunications company, and will provide Sprint-branded local service over the cable companies' upgraded cable networks and through wireless personal communications services."

How serious is the challenge of cable to Europe's established and nascent telecoms operators? To judge from the UK, the threat is real but distant. Much will depend on how soon the telecoms operators are allowed to offer entertainment over their own networks. In the UK, 2001 is the earliest date that the present government will review the question, let alone change its policy. But when battle is truly joined, it will be multimedia that will provide the level field of combat.

**CABLE COMMUNICATIONS:** by Raymond Snoddy

# A milestone from subscribers

## Cable is now outselling satellite in the UK, and they could draw level by 1998

The UK cable communications industry has just had its most successful year so far, passing one significant milestone after another. In the quarter to July 1 the industry signed its one millionth cable television subscriber and in the same period the number of cable telephone lines installed also passed the 1m figure.

Cable telephony is expanding much faster than television, so that by now an estimated 1.2m cable telephone lines are in use in homes and businesses. The number of television subscriptions rose by 48 per cent over the past 12 months, while cable telephony showed a dramatic increase of 124 per cent at a time when the number of homes passed by cable networks rose from 3.3m in July 1994 to more than 5m now. At the same time, a growing number of cable operators want public in New York and London with TeleWest Communications, the largest UK operator, raising more than £400m in new equity last December, General Cable raising £156m in April and Nynex CableComms £383m in June.

But perhaps the most significant milestone was passed at the turn of the year. For the first time new subscribers to cable surpassed the number of new subscribers to British Sky Broadcasting, the satellite television venture.

"Cable started to outsell satellite dishes in December or January and now it is a significant outselling. It's a very important statement from the industry's point of view," says Mr Alan Bates, chief executive of Bell Cablemedia, one of the largest cable operators. The industry forecast is that there will be equality in total numbers (between cable and satellite) by 1998 or the beginning of 1999. Whether it happens at 4.5m homes or 5m is an irrelevance.

"The important thing is that when we approach that point we will be able to negotiate with BSkyB on a basis other than 'take it or leave it'," adds Mr Bates. Goldman Sachs, the investment bank, in a recent study of the cable industry, suggested that the cross-over point would come in the year 2000 and that by 2003 there would be 6.9m cable television subscribers and 4.7m homes with satellite dishes. By then cable revenues would have reached £6.7bn a year.

**UK cable TV subscribers**

| As at: | July 1 1995 | July 1 1994 |
|---|---|---|
| Number of operating franchises | 92 | 69 |
| Broadband homes passed | 4,968,200 | 3,336,075 |
| Broadband homes connected | 1,044,290 | 707,707 |
| Subscriptions as % of TV homes | 4.66% | 3.17% |
| Average penetration | 21.0% | 21.2% |
| Pay/basic ratio | 148% | 144% |
| Franchises providing telephony | 82 | 48 |
| Telephone lines installed | 1,033,723 | 461,032 |
| of which, residential | 934,511 | 413,080 |
| of which, business | 99,212 | 47,952 |
| All cable homes passed | 5,562,513 | 4,178,910 |
| All cable homes connected | 1,185,553 | 871,409 |
| Average penetration | 21.3% | 20.9% |

Source: Independent Television Commission

At the moment the cable industry is dependent on BSkyB for most of its significant programming and has to pay around 60 per cent of the rate that BSkyB charges its satellite customers. During the year there was also an expansion in the programming choice with the launch of two cable exclusive channels – both by national newspaper groups keen to break into television.

Channel One, a 24-hour news channel for London, was launched by Associated Newspapers, owners of the Daily Mail, and has been welcomed by the cable operators. The aim is to take the channel national. However, Live TV, launched by the Mirror Group, has been criticised for the initial quality of its programming.

Cable operators are confidant that the new approach to Live TV programming under the direction of Mr Kelvin MacKenzie, former editor of The Sun, will be more successful. The channel's schedules have been boosted by live sport. "If we can get one or two more quality British programme channels, ideally cable exclusive channels, that would be better for us than anything," says Mr Gary Davis, chief executive of Diamond Cable in Nottingham.

Yet although cable has undoubtedly matured as an industry and the number of subscribers continues to forge ahead as billions of pounds are spent digging up the urban and suburban roads of the UK to construct cable networks, there are still reservations about the performance, particularly of cable television.

> Subscriber penetration remains stubbornly low; disconnection rates are sometimes alarmingly high

Two indicators give cause for concern. Penetration rates – the ratio of those who actually subscribe compared with those who have a cable network down their road and therefore could subscribe – remain stubbornly low. And churn rates – subscribers who disconnect or are disconnected for whatever reason – are still high, sometimes alarmingly so. There is a wide range of penetration rates from 32.4 per cent in Cardiff, albeit on a total of just over 4,000 homes connected, to a low of less than 10 per cent in Coventry. The average has stayed remarkably constant at around 21.5 per cent.

Mr Eugene Connell, chief executive of Nynex CableComms, admits to some disappointment. "Collectively, we are probably disappointed at where the overall cable penetration is. I speak for my company and I think that others would feel that it really hasn't lived up to our business plan expectations. Telephony is however doing quite well and most of us are very pleased with the steady progress being made month by month," Mr Connell says.

The arrival of new offerings, such as The Disney Channel and the Sci-Fi channel this autumn, should help to boost cable television subscription levels. Churn rates have been high with some companies losing nearly a half of their subscribers in a year. That rate is now coming down and may have been a symptom of the fast growth of cable networks, with sales bonuses linked to the number of subscribers signed up rather than the number retained.

The key financial fact for cable is that it enjoys a dual stream of revenue from both television and telephony – and telephony subscribers are much less likely to cancel their subscriptions than television only subscribers. This means that, according to Goldman Sachs, the dual stream of revenue from UK cable averages over £60, or $100, a month per home connected compared with $32 in a US home where only television services are on offer. The cable industry should also receive a boost from a national multi-million marketing campaign to be launched in January – the first it has ever embarked on.

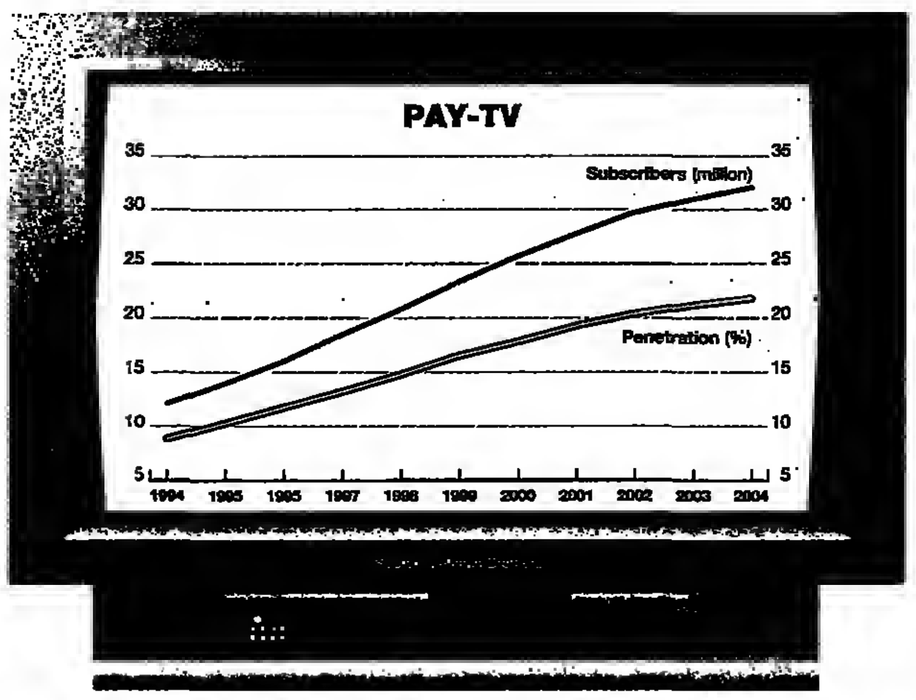
The cable industry also argues that whatever comes along, whether it is 150-channel digital satellite television, video-on-demand or other interactive services, it is best placed to offer it to consumers. The new equipment will simply be installed at cable company headquarters and the consumer need not re-equip.

"The great thing about cable is that it is technologically neutral. From the consumer's point of view we can offer the greatest options at the least cost," says Mr Bates of Bell Cablemedia.

**PROGRAMMES:** by Maggie Brown

# Held back by lack of capacity

## Why there are still some constraints on the growth areas in cable and satellite




BSkyB, which has made its name and fortune with exclusive sports and film channels, recently held an unusual press conference. Indeed, it might have been a sign of new maturity in British multi-channel television.

Taking over the Pavilion Terrace in the Houses of Parliament, Sky launched its History Channel UK, a three-hour daily segment of documentary, biography and history of warfare and weapons programming, aimed at schoolchildren.

Although this is largely a cheap and cheerful recycling exercise, drawing on an existing channel devised by a US cable operator with which Sky has a UK partnership, it is proof, of sorts, that more can sometimes be different and even educational.

Six other Sky multi-package channels have been launched this autumn in staggered starts, ranging from the Disney Channel (on October 1); the Paramount Television entertainment network with repeats of Cheers, Taxi and stand-up comedians; classic sports footage on Sky Sports Gold and the European Business News (on November 1).

Sky now provides 28 channels compared with the four it offered on launch just six years ago, and the four available from terrestrial television. Clearly, it is positioning itself for the expansion expected to intensify next year.

It shows that, despite the observation by Ms Christine Walker, head of the Zenith media buying group, that pornography has been the growth area – after films and sport –for both satellite and cable programming, there are other new products around. This is not to deny that pornography has been a major factor both in driving sales and in forcing the development of pan-European regulation on cable and satellite content.

The growth in mainstream soft porn is evident in the start-up of Sky Playboy TV, Television X – The Fantasy Channel, which was given a formal warning last month for screening an uncut version of Requiem for a Vampire, portraying sexual assaults on women, and the Adult Channel. But industry experts say the churn rate for such channels is very high: often people subscribe for the novelty, but are then disappointed.

The fact that the History Channel will share an Astra satellite transponder (channel) with Sky Soap and the Sci-Fi channel shows how the rush to expand a range of secondary programming is constrained by the lack of capacity.

Once this is solved through the spread of digital broadcasting, most probably digital satellite, there will be scope for building these into dedicated round-the-clock services. Mr Tim Riordan, director of broadcasting at BSkyB, cautions however that this will depend on the experiments working well, and attracting small but loyal audiences.

Mr Jon Davey, head of cable and satellite at the Independent Television Commission, says that some 40 channels can now be received in an average home linked to satellite or cable. The ITC has issued 150 licences for cable and satellite services, but the majority have not been activated yet and some may never operate."It is the lack of capacity which limits the ability to start new channels," he points out.

But it also depends on the social climate. While the UK has a dedicated racing channel for betting shops, there is no sign that a version of Court TV (among the most popular US stations) will start in the UK, where a move to open up the courts to cameras looks remote after the O.J. Simpson trial.

The US model has largely provided the inspiration for the UK's expansion, with some direct exports (CNN or Country Music TV) and customised transfers with BSkyB the main partner. QVC, the shopping channel founded by Mr Barry Diller, a former News Corporation executive, has broadcast a British version for two years.

The key exception has been UK Gold (controlled by the BBC, Cox and Thames Television) which prospers by broadcasting well-loved repeats of classics such as Porridge, and Sky News. But there are signs that the UK broadcasters, led by the BBC and Granada, are planning more services.

Attempts to develop cable-only programming have faltered. SelecTV, the British television company which has fiercely insisted on retaining its non-terrestrial rights to the entertainment programmes it makes (led by Birds of a Feather), has made a determined bid in the past year with a cable-only service, though there are questions about whether it has access to enough material.

The attempt to develop cable exclusive programming, led by United Artists, was dealt a serious blow with the collapse of Wire TV, the sports network, and the decision of a majority of cable operators to carry BSkyB's sports services, rather than compete.

However, cable has been identified as a route into the new media by newspaper publishers, led by Associated Newspapers with its Channel One service and the Mirror Group's Live TV. These attract audiences that are too small for traditional audience measurement systems to pick up. Nonetheless, Live is branching off into a newsier direction under Kelvin MacKenzie and has bought World Rugby rights. Scottish TV, in which the Mirror has a 20 per cent stake, is also moving into regional cable programming.

In short, there is no shortage of channels to watch. Only a shortage of people's time.

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■ DIGITAL TERRESTRIAL TELEVISION: by Raymond Snoddy

# Switch without a timetable

## The UK will probably be first to broadcast digital, but no date has yet been set for the transfer from analogue

*Sometime in* 1997 the UK government hopes that broadcasters will be able to add considerably to the choice available to viewers by launching as many as 30 channels of digital terrestrial television across the country.

If it goes ahead on schedule it will probably be the first service in the world to broadcast digital, as opposed to the existing analogue, television from land-based transmitters on a large scale.

Both the US and Australia are also well down the road of drawing up regulations for the launch of digital terrestrial television. The US envisages existing broadcasters such as ABC and CBS vacating their present frequencies and moving entirely to digital in 15 years. This would free huge spectrum capacity to auction off for mobile communication use.

Discussions are continuing in the US on whether 15 years is too long or short a period and on whether broadcasters should pay for digital capacity or at least take on extra obligations, such as providing more educational television, in return.

The UK government has decided against setting a date for the cross-over although it regards a complete move to digital as a very desirable objective in the long term.

Convergent Decisions Group, consultants specialising in digital issues, believes that if tha vacated analogue capacity were auctioned off in the UK, it could bring in £2bn a year for the government.

For viewers digital terrestrial offers high quality, multi-channel television without the need for satellite dishes or connection to cable networks. Robust pictures that do not have ghosting like analogue pictures can be picked up on ordinary wire set-top aerials. Bnt a "black box" decoder is needed.

The UK government approach is to divide the available digital capacity into six blocks of frequencies or "multiplexes", each capable of broadcasting a minimum of three high-quality digital television channels to between 60 and 90 per cent of the UK population. There are similar plans for digital radio.

In fact, it becomes almost meaningless to talk of separate channels at all as opposed to streams of bits in the world of digital terrestrial. Fast-moving sport on a wide screen, for instance, would require 6 Megabits of capacity, whereas a studio discussion featuring talking heads might need only 2-3 Megabits. A controller can match capacity to the pictures being shown and move from three to six or even more channels depending on the schedule.

All existing broadcasters will be guaranteed the equivalent of one high-quality digital channel although they will have to broadcast at 80 per cent of the schedule they are offering their existing viewers.

No money will change hands directly in the bids for 12-year digital terrestrial licences which will be awarded by the Independent Television Commission, the regulatory body. Instead, the licences will go to those prepared to make the greatest commitment to developing the technology by offering a diversity of programmes and the greatest subsidy to reduce the price of decoder boxes.

> No money will change hands as licences go to those making the greatest commitments

The role of multiplex operator is being offered separately and the multiplexes need not be run by broadcasters. The aim of the separation, which has been criticised as introducing unnecessary complexity into an already difficult project, is partly to bring in new players such as telecommunications groups.

The fact that no final date has been set for the transfer from analogue to digital has also been criticised on the grounds that there is very little incentive to move to digital unless there is a timetable and therefore a compelling reason to make the large investments needed.

The existing broadcasters are also unhappy that they are being given so little digital capacity as of right – they can always apply for more in consortia bidding for multiplexes – when they will be the providers of the programmes so vital to the success of the venture.

"Tha government should end consumer and investor uncertainty and settle on a timetable for the switch," (to digital) Mr John Birt, director general of tha BBC, said recently. He argued that broadcasters should operate the multiplex, "imaginatively focusing on viewer need and taking the prime commercial risk" wherever they can attract sufficient revennes to fund their programme services.

The BBC has promised to provide "exciting and innovative services" if the government creates the right framework for the development of the technology. This would include BBC1 and BBC2 in widescreen format, uninterrupted coverage of sport, parliament and all the Henry Wood promenade concerts, plus the possibility of a 24-hour television news service.

Digital could offer a great deal to viewers and provide a route for the traditional broadcasters to extend their role in a multi-channel age.

Serious questions remain mainly about the financial viability of digital terrestrial in an intensely competitive world of digital satellite. If 150 channels are available from satellite will enough people be prepared to pay to buy the equipment to see 20-30 channels?

Even more important is the question of whether digital terrestrial channels will have enough on offer – apart perhaps from wide-screen format – to persuade consumers to buy the new equipment.

Mr Rupert Murdoch's British Sky Broadcasting has virtually cornered the market in the subscription rights to Hollywood movies and is increasingly swallowing up exclusive rights to boxing and Rugby League to add to English Premier League soccer. So far movies and sport seem to be the only television genres for which many viewers are prepared to pay extra money.

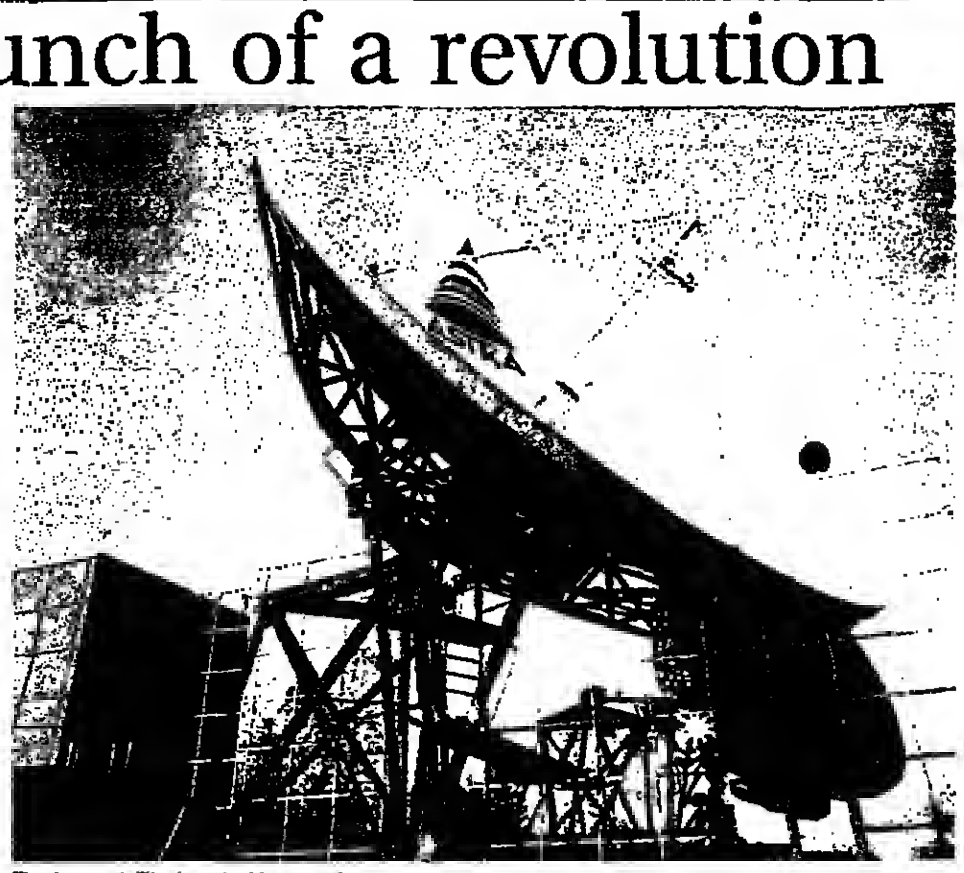
As a result, the future of digital terrestrial could come down to whether BSkyB and Mr Murdoch are willing to enter the field in a big way to extend their reach beyond the more than 4m cable and satellite homes already subscribing.

BSkyB is looking at the viability of creating a black box able to receive both digital satellite and digital terrestrial channels. If one could be produced at reasonable cost, it could be the key to drive forward the two new ways of distributing channals and increasing the reach of multi-channel television in the UK.

■ DIGITAL TECHNOLOGY: by Raymond Snoddy

# The launch of a revolution

## Hundreds of millions are being spent on the assumption that consumers will pay


The Astra satellite, launched last month

Just after midnight on October 1a the fifth television satellite operated by SES of Luxembourg was successfully launched from Kourou in French Guiana. Although a number of channels are already being broadcast in digital form by Eutelsat, the European satellite organisation, the launch of the Astra satellite represented a breakthrough.

All 16 transponders on the satellite, which with existing analogue technology would broadcast just one television channel, are dedicated to digital transmission. Each transponder will therefore be able to broadcast anything from two or three channels to as many as 10, depending on the picture quality required.

If all goes well, the satellite should be operational by December and with it the plans of Europe's leading pay television operators: Canal Plus of France; CLT of Luxembourg; the Kirch organisation of Germany; NetHold, the international broadcasting group based in the Netherlands and British Sky Broadcasting in the UK.

Two more digital Astra satellites are to be launched before the end of 1997, followed by a back-up satellite or "bird", which means that by then the total digital capacity of the system should be around 500 channels.

Eutelsat, with its different approach of offering both analogue and digital on its satellites, will not be far behind with the launch of its Hot Bird series of satellites.

It is extraordinary that hundreds of millions of pounds, and ultimately several billions, are being spent on a yet unproven assumption that consumers actually want and will be prepared to pay for 150 channels of digital television.

Mr Koos Bekker, chief executive of NetHold, the pay television company which is owned by Richemont, the tobacco and luxury goods group, and by MultiChoice of South Africa, is convinced they will.

He believes there are no single "killer applications" such as near-video-on-demand – the broadcasting of a small number of current hit movies on a large number of channels so that the audience is never more than 20-30 minutes away from the start of any movie. It is the variety available when yon can offer more than 100 channels of television that will drive the business, Mr Bekker believes.

The variety is possible because of the extra capacity obtained with the help of digital compression technology and the much reduced cost of broadcasting each channel. The reduced cost makes multiplexing feasible. This is simply devoting several channels to what would have been a single sports channel before.

Sports fans can choose a channel where the camera is behind their team to watch a match. A schedule of programmes can also be shown in a different order on multiplexed channels to give the viewer a wider choice of what to watch at any particular time.

Mr Bekker is backing his analysis that viewers will pay for extra choice with serious money and NetHold last month launched a digital satellite service covering all of Africa: he has similar plans for Europe and the Middle East. As an indication of the scale of commitment necessary, NetHold recently placed orders for 1.1m digital satellite receivers, worth an estimated $550m, with Philips, the Dutch electronics group, National Panasonic of Japan and Pace of the UK.

The launch of the digital revolution poses particular problems for BSkyB, the satellite television company. More than 3m homes receive its service via satellite dishes, in addition to the 1m homes receiving BSkyB channels via cable networks.

BSkyB has to decide whether to put its growing profit stream at risk by taking on the huge commitments needed to launch a 120-channel system. What if its existing subscribers refuse to pay the cost of the digital equipment, perhaps as much as £700 initially, when simple analogue dishes can be had for as little as £99?

Mr Sam Chisholm, chief executive of BSkyB, believes the receivers are too expensive at the moment for the mass market, although he is convinced that the future will be digital.

For BSkyB, the decision-making is further complicated by the recent government publication of proposals for the launch of digital terrestrial television in the UK. Digital terrestrial – broadcasting signals from land-based transmitters – should be able to offer at least 20 channels to most viewers in the UK without the need of a special aerial, although a digital decoder box will be required.

Mr Chisholm has promised that BSkyB will be in digital transmission although the organisation is much less explicit on whether it will be digital satellite, terrestrial or both, and when such developments will actually happen.

BSkyB has already signed contracts for transponders on the new Astra digital satellite and completed agreements with all its channels to enable them to be shown on a digital service. Other channels are being sought to increase the range of programming on offer, apart from possibilities such as devoting a channel to each of the eight Premier League football games played each Saturday – if agreement with the league can be obtained.

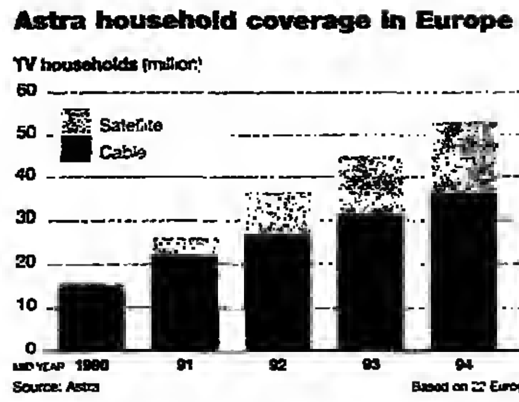
All the signs are that BSkyB will enter the digital satellite television age toward the end of 1996 or the beginning of 1997. Canal Plus, which has only around 300,000 satellite subscribers in France compared with more than 4m to its main terrestrial service, has decided to go ahead with digital satellite partly for defensive reasons.

The company believes that, if it does not launch digital services, a competitor will. The French subscription television company, which has already been carrying out digital experiments, plans to install its first digital decoders before the end of this year. Early next year, Canal Plus will launch a package of around 24 channels, moving to a 40-channel system before the end of the year.

The leader in digital satellite television has been DirecTV, owned by Hughes Communications, part of the Hughes Aircraft Company. DirecTV is already broadcasting 170 channels over the continental US and by the end of this year forecasts that it will have 1.3m subscribers. Hughes is looking at taking the concept to other parts of the world and there are likely to be two, if not three, competing digital satellite television systems over south and central America by next year.

By 1997 it should be a little clearer whether the huge investments now being made all over the world are justified and whether consumers really do want to pay for access to 150, and perhaps one day even 500, channels of television.

**Astra household coverage in Europe**



Source: Astra
Based on 22 European countries

■ COMMERCIAL BROADCASTERS: by Maggie Brown

# ITV suffers steady erosion

## Why stations that rely on indirect funding are likely to lose out in the long term

The problem that ITV and Channel 4 – and the new Channel 5 – will face is that they are missing out on the big boom area of pay television.

The increased revenue to be garnered directly and without coercion from the public, rather than secondhand from the advertisers or from a statutory licence fee, has almost exclusively gone to BSkyB for the past six years. The subscription income it raises has been spent on the things that audiences naturally lap up: films and sport.

It is hardly surprising that ITV has found itself outbid for these appealing proparties. Instead, it has been forced to differentiate itself by making more costly original dramas, at prices starting at around £700,000 an hour, appealing to as broad an audience as possibe. This is why it wanted to give the first episoda of Cracker the best possible position in the schedule, even if that meant moving the News at Ten and having a row with the regulator, the Independent Television Commission.

The terrestrial broadcasters also find themselves wrong-footed by the growing trend for specialised, single interast channals appealing to audiences divided into age groups (children) or interests (rolling news). They are required to provide, in contrast, mixed and varied schedules.

This autumn ITV is also suffering from worse-than-expected sales, and has been obliged to reduce its estimates for income during November and December. The slow but steady erosion of both audiences and revenue has been accelerated by Channel 4's embrace of the market, which has delighted advertisers, ever-anxious to reach young, affluent viewers.

Under a commercially-minded board headed by Mr Michael Grade, Channel 4 has put in a far more robust performance than anyone expected a few years ago. So much so that questions hava been asked about whether it is sticking to its remit.

But despite its lobbying against the system which requires the publicly-owned channel to pay ITV a share of its surplus in return for a guaranteed safety net, there are those in government who believe Channel 4 will face far tougher conditions to the late 1990s, when competition from a new Channel 5 will start to be felt. So far, its high profile lobby to end the payments to ITV has failed.

Like Channel 4, Channel 5, due to go on air late next year, will have a key advantage over ITV. It will be a national station, totally in control of all output, and it will have fewer specific public service broadcasting duties. It will have no requirement to provida regional news and current affairs and is expected to target the soft areas of ITV relentlessly, for example playing a daily soap opera against the regional news.

ITV has trouble operating as a single channel or brand because of its regional commitments, and because of the way it is to effect divided into three power blocs – Granada/LWT, Carlton/Central and Meridian/Anglia. Mr Gerry Robinson, head of Granada, has attacked ITV's parochialism, and urged it to punch its weight. But it is bogged down in history.

Until this year, ITV put up a robust performance after the franchise changeover traumas of 1993, which saw Thames, its largest programme supplier, lose its licence. But this summer saw a sudden, dramatic crumbling in audience share, which fell to a low of 33.8 per cent in the second week of August, though it recovered to 42 per cent in September.

Yet slowly but surely, ITV's position is being chipped away by the new channels. No one singla channel has had a particularly devastating impact. No one rival can deliver its huge audiences. But it is having to work harder to justify its hold. And, with Coronation Street four times a week, it is beginning to show signs of exhaustion.

PROFILE **British Sky Broadcasting** by Raymond Snoddy

# Pay more to see more

Earlier this month British Sky Broadcasting completed tha introduction of no fewer than seven new programme services. Most, such as the History Channel, European Business News and the Sci-Fi channel offer segments of programming rather than complete 24-hour-a-day channels and the new services were accompanied by a £2 a month rise in subscriptions, taking the cost of the overall BSkyB package to £24.99 a month.

Two services are expected to boost the number of subscribers, though in different ways – Playboy TV and The Disney Channel. Tha launch of the latter – the first Disney Channel in Europe – and the marketing thrust behind it give an insight into the goal of both the Walt Disney Company and BSkyB. Both are prepared to invest for the long term to develop the UK multichannel market.

Disney has allowed BSkyB to offer its channel as a "free bonus" channel at no extra charge to those who subscribe to both BSkyB movie channels. The satellite company is paying Disney 80p per subscriber a month for the channel in the hope that children will persuade their parents to take the package. BSkyB expects that Disney will prove a powerful "loss leader" for subscription to its movie channels.

In four years' time when the cable and satellite market has grown, the Disney channel is likely to be offered *à la carte* with a separate subscription charge.

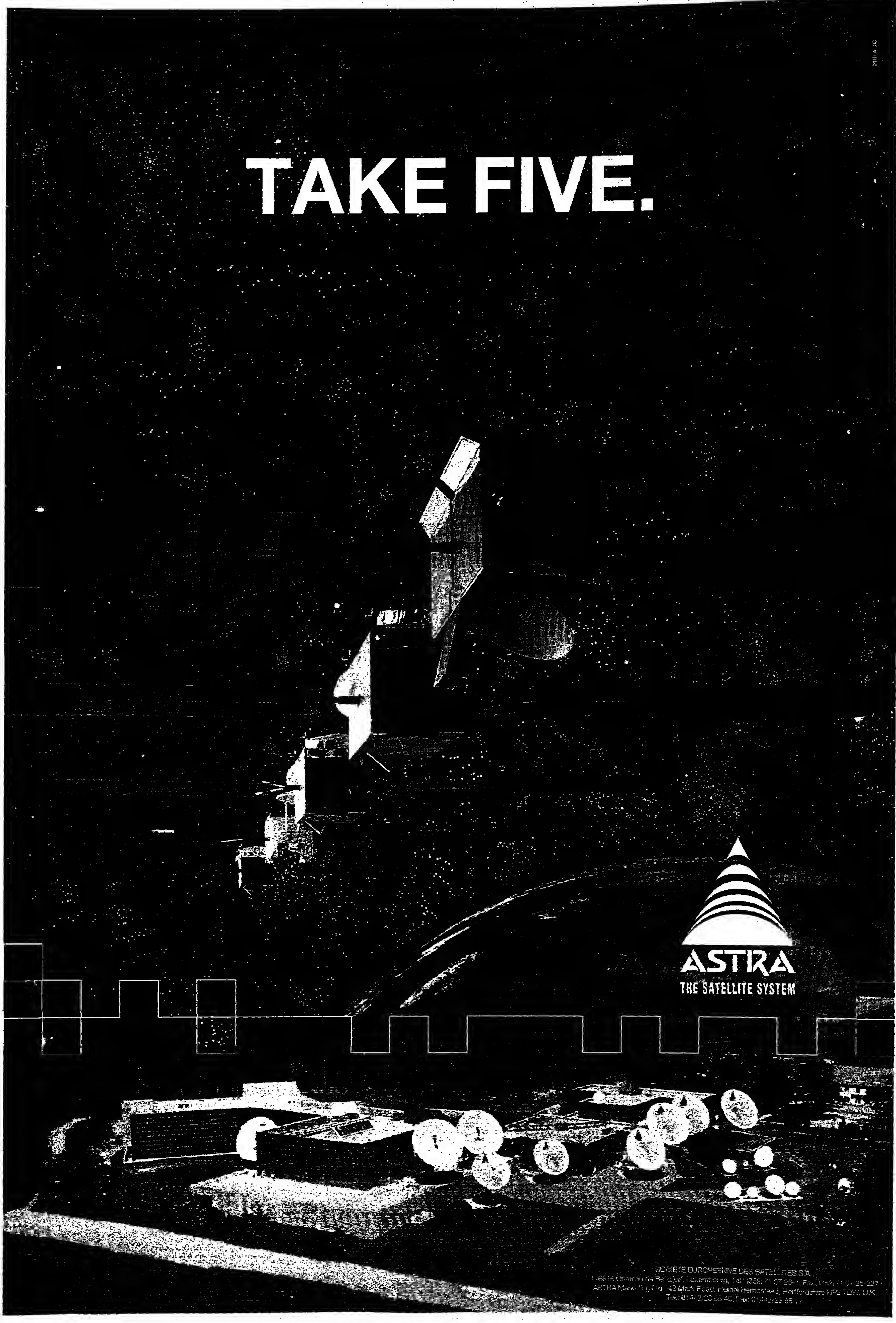
The seven new programme services are part of the continuing strategy of Mr Sam Chisholm, chief executive of BSkyB, which made an operating profit of £155m in the 1994-95 financial year. He believes it will take BSkyB, which at the moment has 4.2m paying customers on both satellite and cable systems, in a smooth progression to 10m homes – although that will be a tall order. In particular, the rate of increase of satellite dishes has been slowing down and cable now takes the majority of new multi-channel subscribers.

Apart from continuing to add new channels the next phase of development for the satellite group will be to add pay-per-view – charging for individual sports events on top of monthly subscription payments. Boxing is the most likely sport to introduce pay-per-view and if Frank Bruno, the current world heavyweight champion, defends his title against Mike Tyson, BSkyB subscribers will almost certainly hava to pay an additional charge to see the fight.

A similar "box office" could be introduced for other top sporting events. But BSkyB will have to be careful not to alienate subscribers to Sky Sports by trying to squeeze too much revenue from them.

The introduction of pay-per-view is likely to be BSkyB's big initiative for 1996, followed by the launch of digital television at the beginning of 1997. Detailed preparation for that has already been mada and the satellite capacity leased so that digital TV can be launched at relatively short notice if necessary. However, apart from the cost of the receiving equipment, the reason for caution is the fear that a new digital satellite service could hit the revenues of the existing business without attracting enough new subscribers to defray the additional investment costs.

The BSkyB chief executive is keen to investigate the possibility that a common "black box" could be created at reasonable cost to decode both digital satellite broadcasts and the digital terrestrial signal. If such a venture turns out to be practical, it could provide an enormous boost to the spread of UK multi-channel television.

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